

PART 4280 - LOANS AND GRANTS

Subpart D - Rural Microentrepreneur Assistance Program

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PART 4280 - LOAN AND GRANTS

Subpart D - Rural Microentrepreneur Assistance Program

§ 4280.301 Purpose and scope.

(a) This subpart contains the provisions and procedures by which the Agency will administer the Rural Microenterprise Assistance Program (RMAP). The purpose of the program is to support the development and ongoing success of rural microentrepreneurs and microenterprises. To accomplish this purpose, the program will make direct loans, and provide grants to selected Microenterprise Development Organizations (MDOs). Selected MDOs will use the funds to:

(1) Provide microloans to rural microentrepreneurs and microenterprises; *This will be accomplished when the Agency makes a loan to an MDO under this program; the MDO uses the loan funds to establish, or recapitalize a program funded, RMAP Rural Microloan Revolving Fund (RMRF); establishes a Loan Loss Reserve Fund using non-Federal Funds; and makes microloans from the RMRF.*

(2) Provide business based training and technical assistance to rural microborrowers and potential microborrowers; and Technical assistance is an essential part of the microlending process. It often makes the difference between the success or failure of a new business, affecting the ability of the microborrower to repay its debt in a timely fashion. *Generally, microlenders should not make microloans unless they are accompanied by some sort of technical assistance.*

(3) Perform other such activities as deemed appropriate by the Secretary to ensure the development and ongoing success of rural microenterprises.

(b) The Agency will make direct loans to microlenders, as defined in § 4280.302, for the purpose of providing fixed interest rate microloans to rural microentrepreneurs for startup and growing microenterprises. Eligible microlenders will also be automatically eligible to receive microlender technical assistance grants to provide technical assistance and training to microentrepreneurs that have received or are seeking a microloan under this program.

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(c) To allow for extended opportunities for technical assistance and training, the Agency will make technical assistance-only grants to MDOs that have sources of funding other than program funds for making or facilitating microloans. *These MDOs may include such organizations as self employment training programs, women's business centers, university based small business centers, tribal self employment programs and so forth that are interested in developing self employment opportunities but do not as their primary purpose, make microloans. They may also include entities that need funding for provision of training and technical assistance, but have ample funding for loan making or facilitation of access to capital from sources other than this program. Technical assistance-only grantees will be expected to provide training and technical assistance services to the extent that access to capital for eligible microentrepreneurs and microenterprises is facilitated by referral to either an internal or external program or non-program loan fund so that these clients may take advantage of available financing programs.*

§ 4280.302 Definitions and abbreviations.

(a) General definitions. The following definitions apply to the terms used in this subpart.

Administrative expenses. Those expenses incurred by an MDO for the operation of services under this program. Not more than 10 percent of TA grant funding may be used for such expenses.

Agency. USDA Rural Development, Rural Business-Cooperative Service or its successor organization.

Agency personnel. Individuals employed by the Agency.

Applicant. The legal entity, also referred to as a microenterprise development organization or MDO, submitting an application to participate in the program.

Application. The forms and documentation submitted by an MDO for acceptance into the program.

§ 4280.302(a) (Con.)

Award. The written documentation, executed by the Agency after the application is approved, containing the terms and conditions for provision of financial assistance to the applicant. Financial assistance may constitute a loan or a grant or both.

Business incubator. An organization that provides temporary premises at below market rates, technical assistance, advice, use of equipment, and may provide access to capital, or other facilities or services to rural microentrepreneurs and microenterprises starting or growing a business.

Close relative. Individuals who are closely related by blood, marriage, or adoption, or live within the same household: a spouse, domestic partner, parent, child, brother, sister, aunt, uncle, grandparent, grandchild, niece, or nephew.

Default. The condition that exists when a borrower is not in compliance with the promissory note, the loan and/or grant agreement, or other related documents evidencing the loan.

Delinquency. Failure by an MDO to make a scheduled loan payment by the due date or within any grace period as stipulated in the promissory note and loan agreement.

Eligible project cost. The total cost of a microborrower's project for which a microloan is being sought from a microlender less any costs identified as ineligible in § 4280.323.

Facilitation of access to capital. For purposes of this program, facilitation of access to capital means assisting a technical assistance client of the TA-only grantee in obtaining a microloan whether or not the microloan is wholly or partially capitalized by funds provided under this program.

Federal Fiscal year (FY). The 12-month period beginning October 1 of any given year and ending on September 30 of the following year.

Full-time equivalent employee (FTE). The Agency uses the Bureau of Labor Statistics definition of full-time jobs as its standard definition. For purposes of this program, a full-time job is a job that has at least 35 hours in a work week. As such, one full-time job with at least 35 hours in a work week equals one FTE; two part-time jobs with combined hours of at least 35 hours in a work week equals one FTE, and three seasonal jobs equals one FTE. If an FTE calculation results in a fraction, it should be rounded up to the next whole number.

Indian tribe. As defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 USC 450b), "any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village, or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688) [43 U.S.C. 1601 et seq.], which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians."

Loan loss reserve fund (LLRF). An interest-bearing deposit account that each microlender must establish and maintain in an amount equal to not less than 5 percent of the total amount owed by the microlender under this program to the Agency to pay any shortage in the RMRF caused by delinquencies or losses on microloans.

Microborrower. A microentrepreneur or microenterprise that has received financial assistance from a microlender under this program in an amount of \$50,000 or less.

Microenterprise. Microenterprise means:

- (i) A sole proprietorship located in a rural area; or
- (ii) A business entity, located in a rural area, with not more than 10 full-time-equivalent employees. Rural microenterprises are businesses employing 10 people or fewer that are in need of \$50,000 or less in business capital and/or in need of business based technical assistance and training. Such businesses may include any type of legal business that meets local standards of decency. Business types may also include agricultural producers provided they meet the stipulations in this definition.

§ 4280.302(a) (Con.)

(iii) All microenterprises assisted under this regulation must be located in rural areas.

Microenterprise development organization (MDO). An organization that is a non-profit entity; an Indian tribe (the government of which tribe certifies that no MDO serves the tribe and no RMAP exists under the jurisdiction of the Indian tribe); or a public institution of higher education; and that, for the benefit of rural microentrepreneurs and microenterprises:

- (i) Provides training and technical assistance and/or;
- (ii) Makes microloans or facilitates access to capital or another related service; and/or
- (iii) Has a demonstrated record of delivering, or an effective plan to develop a program to deliver, such services.

Microentrepreneur. An owner and operator, or prospective owner and operator, of a microenterprise who is unable to obtain sufficient training, technical assistance, or credit other than under this section, as determined by the Secretary. All microentrepreneurs assisted under this regulation must be located in rural areas.

Microlender. An MDO that has been approved by the Agency for participation under this subpart to make microloans and provide an integrated program of training and technical assistance to its microborrowers and prospective microborrowers.

Microloan. A business loan of not more than \$50,000 with a fixed interest rate and a term not to exceed 10 years.

Military personnel. Individuals, regardless of rank or grade, currently in active United States military service with less than 6 months remaining in their active duty service requirement.

Nonprofit entity. A private entity chartered as a nonprofit entity under State Law.

Program. The Rural Microentrepreneur Assistance Program (RMAP).

Rural microloan revolving fund (RMRF). An exclusive interest-bearing account on which the Agency will hold a first lien and from which microloans will be made; into which payments from microborrowers and reimbursements from the LLRF will be deposited; and from which payments will be made by the microlender to the Agency.

Rural or rural area. For the purposes of this program, the terms "rural" and "rural area" are synonymous and are defined as any area of a State not in a city or town that has a population of more than 50,000 inhabitants, according to the latest applicable decennial census for the State; and the contiguous and adjacent urbanized area.

(i) For purposes of this definition, cities and towns are incorporated population centers with definite boundaries, local self-government, and legal powers set forth in a charter granted by the State.

(ii) Notwithstanding any other provision of this paragraph, within the areas of the County of Honolulu, Hawaii, and the Commonwealth of Puerto Rico, the Secretary may designate any part of the areas as a rural area if the Secretary determines that the part is not urban in character, other than any area included in the Honolulu census designated place (CDP) or the San Juan CDP.

State. Any of the 50 States of the United States, the Commonwealth of Puerto Rico, the District of Columbia, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

Technical assistance and training. The provision of education, guidance, or instruction to one or more rural microentrepreneurs to prepare them for self-employment; to improve the state of their existing rural microenterprises; to increase their capacity in a specific technical aspect of the subject business; and, to assist the rural microentrepreneurs in achieving a degree of business preparedness and/or functioning that will allow them to obtain, or have the ability to obtain, one or more business loans of \$50,000 or less, whether or not from program funds.

§ 4280.302(a) (Con.)

Technical assistance grant. A grant, the funds of which are used to provide technical assistance and training, as defined in this section.

(b) Abbreviations. The following abbreviations apply to the terms used in this subpart.

FTE – Full-time employee
 LLRF – Loan loss reserve fund.
 MDO – Microenterprise development organization.
 RMAP – Rural microentrepreneur assistance program.
 RMRF – Rural microloan revolving fund.
 TA – Technical assistance.

§ 4280.303 Exception authority.

The Administrator may make limited exceptions to the requirements or provisions of this subpart. Such exceptions must be in the best financial interest of the Federal government and may not conflict with applicable law. No exceptions may be made regarding applicant eligibility, project eligibility, or the rural area definition. In addition, exceptions may not be made:

- (a) To accept an applicant into the program that would not normally be accepted under the eligibility or scoring criteria; or
- (b) To fund an interested party that has not successfully competed for funding in accordance with the regulations.

§ 4280.304 Review or appeal rights and administrative concerns.

(a) Review or appeal rights. An applicant MDO, a microlender, or grantee MDO may seek a review of an adverse Agency decision under this subpart from the appropriate Agency official that oversees the program in question, and/or appeal the Agency decision to the National Appeals Division in accordance with 7 CFR part 11.

(b) Administrative concerns. Any questions or concerns regarding the administration of the program, including any action of the microlender, may be addressed to: USDA Rural Development, Rural Business-Cooperative Service, Specialty Programs Division or its successor agency, or the local USDA Rural Development office.

§ 4280.305 Nondiscrimination and compliance with other Federal laws.

(a) Any entity receiving funds under this subpart must comply with other applicable Federal laws, including the Equal Employment Opportunities Act of 1972, the Americans with Disabilities Act, the Equal Credit Opportunity Act, the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and 7 CFR part 1901, subpart E.

(b) The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Any applicant that believes it has been discriminated against as a result of applying for funds under this program should contact: USDA, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (866) 632-9992 (toll free) or (202) 401-0216 (TDD) for information and instructions regarding the filing of a Civil Rights complaint. USDA is an equal opportunity provider, employer, and lender.

(c) A pre-award compliance review will take place at the time of application when the applicant completes Form RD 400-8, "Compliance Review". Post-award compliance reviews will take place once every three years after the beginning of participation in the program and until such time as a microlender leaves the program. *Civil rights compliance reviews may be conducted by the Agency within the first year after loan closing and thereafter at intervals of not more than 3 years. The results of the review should be documented on Form RD 400-8, and appropriate documentation attached to substantiate findings of compliance or noncompliance. The original Form RD 400-8 should be maintained in the case file with copies forwarded to the Rural Development State Civil Rights Coordinator. If the MDO is not in compliance, copies should also be immediately forwarded to the Director, Civil Rights Staff, with a recommendation for action to be taken.*

§ 4280.306 Forms, regulations, and instructions.

Copies of all forms, regulations, and instructions referenced in this subpart are available in any Agency office, the Agency's Web site at www.rurdev.usda.gov/regs/, and for grants on the Internet at www.grants.gov.

§§ 4280.307 - 4280.309 [Reserved]

§ 4280.310 Program requirements for MDOs.

(a) Eligibility requirements for applicant MDOs. To be eligible for a direct loan or grant award under this subpart, an applicant must meet each of the criteria set forth in paragraphs (a)(1) through (4) of this section, as applicable. *Under the RMAP, an applicant MDO must be eligible in order to be scored for qualification as a microlender. This section discusses the elements that will be considered when determining whether or not an applicant MDO is eligible. Applicant MDOs that are found to be not eligible, will not be fully scored and will be notified in accordance with §4280.304.*

(1) Type of applicant. The applicant must meet the definition of an MDO under this program. *See 4280.302 for the definition of an MDO. Note that all MDOs must be domestic entities.*

(2) Citizenship. For non-profit entities only, to be eligible to apply for status as an MDO, the applicant must be at least 51 percent controlled by persons who are either:

(i) Citizens of the United States, the Republic of Palau, the Federated States of Micronesia, the Republic of the Marshall Islands, American Samoa, or the Commonwealth of Puerto Rico; or

(ii) Legally admitted permanent residents residing in the U.S.

(3) Legal authority and responsibility. The applicant must have the legal authority necessary to carry out the purpose of the award.

(4) Other eligibility requirements. For potential microlenders only,

(i) The applicant must also provide evidence that it:

(A) Has demonstrated experience in the management of a revolving loan fund; or

(B) Certifies that it, or its employees, have received education and training from a qualified microenterprise development training entity so that the applicant has the capacity to manage such a revolving loan fund; or

(C) Is actively and successfully participating as an intermediary lender in good standing under the U.S. Small Business Administration (SBA) Microloan Program or other similar loan programs as determined by the Administrator.

(ii) An attorney's opinion regarding the potential microlender's legal status and its ability to enter into program transactions is required at the time of initial entry into the program. Subsequent to acceptance into the program, an attorney's opinion will not be required unless the Agency determines significant changes to the microlender have occurred. *The RMAP is a domestic program only. The processing office should work with their Regional OGC for assistance in reviewing the applicant's organizational documents and legal authority in determining eligibility in accordance with OGC's procedures.*

(b) Minimum score. Once deemed eligible, an entity will be evaluated based on the scoring criteria in § 4280.316 for adequate qualification to participate in the program. Eligible MDOs must score a minimum of seventy points (70 points) in order to be considered to receive an award under this subpart. *It is essential that an MDO be functioning at a level that ensures they are capable of providing and servicing microloans and/or training and technical assistance. The minimum score helps to ensure a baseline level of capacity. This, in turn, helps ensure that the microentrepreneurs and microenterprises served receive quality lending and training services.*

(c) Ineligible applicants. An applicant will be considered ineligible if it:

(1) Does not meet the definition of an MDO as provided in § 4280.302;

§ 4280.310(c) (Con.)

- (2) Is debarred, suspended or otherwise excluded from, or ineligible for, participation in Federal assistance programs; and
 - (3) Has an outstanding judgment against it, obtained by the United States in a Federal Court (other than U.S. Tax Court).
- (d) Delinquencies. No applicant will be eligible to receive a loan if it is delinquent on a Federal debt.
- (e) Application eligibility and qualification. An application will be considered eligible for funding if it is submitted by an eligible MDO. The applicant will qualify for funding based on the results of review, scoring, and other procedures as indicated in this subpart, and will further:
- (1) Establish an RMRF, or add capital to an RMRF originally capitalized under this program and establish or continue a training and TA program for its microborrowers and prospective microborrowers; or
 - (2) Fund a TA-only grant program to provide services to rural microentrepreneurs and microenterprises. *A MDO that is not a microlender under RMAP and not applying to become a microlender under RMAP may apply for a TA-only grant. TA-only grant recipients must provide technical assistance and will be expected to either make or facilitate microloans (Loans of \$50,000 or less) with non-program funding. See § 4280.313(c)(3) for loan referral benchmark requirements.*
- (f) Business incubators. Because the purpose of a business incubator is to provide business-based technical assistance and an environment in which micro-level, very small, and small businesses may thrive, a microlender that meets all other eligibility requirements and owns and operates a small business incubator will be considered eligible to apply. In addition, a business incubator selected to participate as a microlender may use RMAP funding to lend to an eligible microenterprise tenant, without creating a conflict of interest under § 4280.323(c).

§ 4280.311 Loan provisions for Agency loans to microlenders.

(a) Purpose of the loan. Loans will be made to eligible and qualified microlenders to capitalize RMRFs that it will administer by making and servicing microloans in one or more rural areas.

(b) Eligible activities. Microlenders may make microloans for qualified business activities and use Agency loan funds only as provided in § 4280.322.

(c) Ineligible activities. Microlenders may not use RMRF funds for administrative costs or expenses and may not make microloans under this program for ineligible purposes as specified in § 4280.323.

(d) Cost share. The Federal share of the eligible project cost of a microborrower's project funded under this section shall not exceed 75 percent. The cost share requirement shall be met by the microlender using either of the options identified in paragraphs (d)(1) and (2) of this section in establishing an RMRF. A microlender may establish multiple RMRFs utilizing either option. Whichever option is selected for an RMRF, it must apply to the entire RMRF and all microloans made with funds from that RMRF. *If the microlender chooses to split their Agency loan and capitalize two RMRFs, the Agency is required to obligate and close two separate loans. The microlender will establish separate RMRFs, and submit separate quarterly reports. Once established, an RMRF cannot be switched between the two options. An RMRF cannot be consolidated with an RMRF under the alternative option.*

(1) Microborrower project level option. The loan covenants between the Agency and the microlender and the microlender's lending policies and procedures shall limit the microlender's loan to the microborrower to no more than 75 percent of the eligible project cost of the microborrower's project and require that the microborrower obtain the remaining 25 percent of the eligible project cost from non-Federal sources. The non-Federal share of the eligible project cost of the microborrower's project may be provided in cash (including through fees, grants (including community development block grants), and gifts) or in the form of in-kind contributions. *Under this option, the microlender's lending policies and procedures for the subject RMRF shall clearly state that their loan is limited to no more than 75 percent of the eligible project cost of the microborrower's project and that the microborrower must obtain at least 25 percent of the eligible project cost from non-Federal sources. The microlender must verify sources and document the sources of the project funding in the Report of IRP/RDLF/RMAP Lending Activity.*

§ 4280.311(d) (Con.)

(2) RMRF level option. The microlender shall capitalize the RMRF at no more than 75 percent Agency loan funds and not less than 25 percent non-Federal funds, thereby allowing the microlender to finance 100 percent of the microborrower's eligible project costs. All contributed funds shall be maintained in the RMRF. *The Agency shall ensure that this requirement is included as a condition in the Letter of Conditions for MDOs that choose this option. The non-Federal funds shall be deposited in the RMRF account at the time of request for disbursement(s) of loan funds from the Agency. The MDO may deposit the full amount of the non-Federal funds at the time of Agency's loan closing or an amount pro rata to the Agency funds. If the full amount of non-Federal funds is not deposited at loan closing, evidence of additional deposits should accompany the letter to the Agency requesting each additional disbursement of Agency funds. Under this option, non-Federal funds must always make up at least 25 percent of the RMRF.*

(e) Loan terms and conditions for microlenders. Loans will be made to microlenders under the following terms and conditions:

(1) Funds received from the Agency and any non-Federal share will be deposited into an interest-bearing account that will be the RMRF account. *The RMRF is expected to earn interest. However, the interest earned either on funds in the account, or on repayments from microborrowers, may only be used specifically to grow the RMRF, debt service to the Agency, or to help capitalize the LLRF. Interest may not be withdrawn by the microlender for administrative expenses or its own use.*

(2) The RMRF account, including any interest earned on the account and the microloans made from the account, will be used to make fixed-rate microloans, to accept repayments from microborrowers and reimbursements from the LLRF, to repay the Agency and, with the advance written approval of the Agency, to supplement the LLRF with interest earnings (from payments received or from account earnings) from the RMRF.

(3) The term of a loan made to a microlender will not exceed 20 years. If requested by the applicant MDO, a shorter term may be agreed upon by the microlender and the Agency. *The microlender must request this option in order for the term to be shortened. If a shorter term is offered, and not requested, the Agency may be at risk should repayment become an issue. If a repayment workout is required, the term of the loan may not exceed the original 20-year payment period. The term of any loan made by the Agency to a microlender shall not exceed 20 years from the date of the original promissory note. In the event of any changes to the original loan agreement (i.e., restructuring of debt, restructuring of payments, change in debtor, and so forth) the maturity date of the loan shall not be extended beyond 20 years from the original Note date.*

(4) Each loan made to a microlender will automatically receive a 2-year deferral during which time no repayment to the Agency will be required. Voluntary payments will be accepted. *The deferment period of any loan made by the Agency to an MDO shall not exceed two years. Therefore, in the event of any changes to the original loan agreement as above, there shall be no deferral of principal after the second anniversary of the original Note date.*

(i) Interest will accrue during the deferral period only on funds disbursed by the Agency.

(ii) The deferral period will begin on the day the Agency loan to the microlender is closed.

(iii) Loan repayments will be made in equal monthly installments to the Agency beginning on the last day of the 24th month of the life of the loan. *Payments are due on the last day of the 24th month, as opposed to the first day of the 25th month, in order to conform with the Rural Utilities Loan Servicing System (RULSS) electronic payment collection system.*

(5) Partial or full repayment of debt to the Agency under this program may be made at any time, including during the deferral period, without any pre-payment penalties being assessed.

§ 4280.311(e) (Con.)

(6) The microlender is responsible for full repayment of its loan to the Agency regardless of the performance of its microloan portfolio. *Microlenders will be scored, in part, based on their loan making and servicing histories and capacities. They are expected to be able to make loans to microborrowers that are both in need of financing and of a caliber that anticipates microloan repayment. The microlender must be able to manage its portfolio of microloans so that the loan to the Agency can be repaid.*

(7) The Agency may call the entire loan due and payable prior to the end of the full term, due to any non-performance, delinquency, or default on the loan.

(8) Loan closing between the microlender and the Agency must take place within 90 days of loan approval or funds will be forfeited and the loan will be deobligated. *Prior to making application for program funding, a resolution by the Board of Directors may be necessary. At a minimum, the Executive Director of the applicant MDO should make the organization's Board of Directors aware of the possibility of entering into a significant debt. A major delay in many loan closings is a failure to prepare the Board of Directors in advance. Because there is more than one application deadline throughout the year, this should not be an issue.*

(9) Microlenders will be eligible to receive a disbursement of up to 25 percent of the total loan amount at the time of loan closing. Interest will accrue on all funds disbursed to the microlender beginning on the date of disbursement. *The first disbursement is limited to ensure that the lender has one or more loans closed and earning interest, before it begins to accrue significant interest on debt owed to the Agency.*

(10) A microlender must make one or more microloans within 60 days of any disbursement it receives from the Agency. Failure to make a microloan within this time period may result in the microlender not receiving any additional funds from the Agency and may result in the Agency demanding return of any funds already disbursed to the microlender. *It is imperative that microloans be made in a timely manner. Microlenders should be aware of the approximate number and amount of loans it may be making in the future prior to request of a disbursement. The Agency is aware that loans sometimes do not come to fruition. However, the intent is to supply funding to the microlender while minimizing idle debt to the Agency. If it is necessary to return funds to the Agency in accordance with paragraph (e)(10) of this section, the returned funds will be applied to the microlender's loan according to the provisions of the promissory note for extra payments. Such returned funds will not be available to draw again.*

(11) Microlenders may request in writing, and receive additional disbursements not more than quarterly, until the full amount of the loan to the microlender is disbursed, or until the end of the 36th month of the loan, whichever occurs first. Letters of request for disbursement must be accompanied by a description of the microlender's anticipated need. Such description will indicate the amount and number of microloans anticipated to be made with the funding. *A request for disbursement does not require an actual list of the anticipated microborrowers, only an approximation of anticipated microloan activity in terms of the number of loans expected to be made with the disbursement, and the amount of those loans.*

(12) Each loan made to a microlender during its first five years of participation in this program will bear an interest rate of 2 percent. After the fifth year of an MDO's continuous and satisfactory participation in this program, each new loan made to the microlender will bear an interest rate of 1 percent. Satisfactory participation requires a default rate of 5 percent or less and a pattern of delinquencies of 10 percent or less. Except in the case of liquidation or early repayment, loans to microlenders must fully amortize over the life of the loan. *This does not mean that loans to microlenders made during the first five years of participation will have their interest rates reduced from two percent to one percent in the sixth year. It means that a microlender that has been in the program for five years or more, and is otherwise qualified, will be able to borrow any new loans at one percent interest.*

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(13) During the initial deferral period, each loan to a microlender will accrue interest at a rate of 1 or 2 percent based on the ultimate interest rate on the loan. *Therefore, if the loan is made at two percent interest rate, it will accrue interest at two percent for the life of the loan. If the loan is made at one percent, it will accrue interest at one percent.* Interest accrued during the 2-year deferral period will be capitalized so that, during the 24th month of the initial deferral period, the microlender's debt to the Agency will be calculated and amortized over the remaining life of the loan. The first payment will be due to the Agency on the last day of the 24th month of the life of the loan. *Amortization of the loan after the 2-year deferral period will be based on the full loan amount, not just the amount disbursed to the microlender, in cases where the Agency's loan has not been advanced in full to the microlender. Cases with unliquidated loan funds remaining after the deferral period should be monitored closely because their income may be inadequate to service debt.*

(14) Funds not disbursed to the microlender by the end of the 36th month of the loan from the Agency will be de-obligated. *Microlenders are encouraged to not borrow more than they will be able to relend over the 24 month deferral period and should never borrow more than they will be able to loan out over a three-year period. This helps to ensure that funds are provided to as many microlenders as possible. It also helps to ensure that microlenders do not over-borrow and retain extra funding in their accounts that goes unused. It limits the amount of idle debt owed to the Agency by the microlenders. Finally, it limits the microlender from overextending beyond their debt service capacity.*

(15) The Agency will hold first lien position on the RMRF account, the LLRF, and all notes receivable from microloans. *If the microlender uses a note for loans to microborrowers that does not currently allow such lien positions to be held by the Agency, it will be required to use a rubber stamp in the margin of the note stating that the Agency has the first lien position. And, the microlender will be responsible for re-printing notes with the language in the appropriate place on their notes to the microborrowers.*

(16) If a microlender makes a withdrawal from the RMRF for any purpose other than to make a microloan, repay the Agency, or, with advance written approval, transfer an appropriate amount of non-Federal funds to the LLRF, the Agency may restrict further access to withdrawals from the account by the microlender.

(17) In the event a microlender fails to meet its obligations to the Agency, the Agency may pursue any combination of the following:

- (i) Take possession of the RMRF and/or any microloans outstanding, and/or the LLRF;
- (ii) Call the loan due and payable in full; and/or
- (iii) Enter into a workout agreement acceptable to the Agency, which may or may not include transfer or sale of the portfolio to another microlender (whether or not funded under this program) deemed acceptable to the Agency.

(f) Loan funding limitations.

(1) Minimum and maximum loan amounts. The minimum loan amount a microlender may borrow under this program will be \$50,000. *Microlenders borrowing this amount will be expected to make enough very small microloans - sometimes referred to as nano-loans- to ensure that the loan can be repaid over time. Although not prohibited, a single loan to a microlender of \$50,000 is not meant to translate into a single loan to a microborrower for that amount. The RMRF should be adequate to do loans to multiple microborrowers not to exceed \$50,000 each.* The maximum any microlender may borrow on a single loan under this program, or in any given Federal fiscal year, will be \$500,000. In no case will the aggregate outstanding balance owed to the program by any single microlender exceed \$2,500,000.

(2) Use of funds. Loans must be used only to establish or recapitalize an existing Agency funded RMRF out of which microloans will be made, into which microloan payments will be deposited, and from which repayments to the Agency will be made. In some instances, as described in § 4280.311(e)(2), interest earned by these funds may be used to fund and recapitalize both RMRF and the LLRF. *Microlenders and Agency staff should be certain to read and understand paragraph (e)(2) of this section.*

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(g) Loan loss reserve fund (LLRF). Each microlender that receives one or more loans under this program will be required to establish an interest-bearing LLRF.

(1) Purpose. The purpose of the LLRF is to protect the microlender and the Agency against losses that may occur as the result of the failure of one or more microborrowers to repay their loans on a timely basis. *In the event a microloan fails causing a loss to the microlender, the microlender will move funds from the LLRF to the RMRF in an amount needed to offset the loss to the RMRF. If the transfer of funds results in the LLRF going below an amount equal to 5 percent of the amount owed to the Agency, the microlender will replenish the LLRF to the appropriate level within 30 days (see paragraph (g)(2)(i) of this section). The sum of the unexpended amount in the RMRF, plus the amount in the LLRF, plus debt owed by the microborrowers must be equal to or greater than 105 percent of the amount owed by the microlender to the Agency unless the Agency has established a higher LLRF reserve requirement for a specific microlender.*

(2) Capitalization and maintenance. The LLRF is subject to each of the following conditions:

(i) The microlender must maintain the LLRF at a minimum of 5 percent of the total amount owed by the microlender under this program to the Agency. If the LLRF falls below the required amount, the microlender will have 30 days to replenish the LLRF. The Agency will hold a security interest in the account and all funds therein until the MDO has repaid its debt to the Agency under this program. *In the event a workout agreement must be reached between the Agency and the microlender, LLRF funds may be used to help retire the debt if needed.*

(ii) No Agency loan funds may be used to capitalize the LLRF. *To maintain compliance with the program Cost Share requirements, only non-Federal funds may be used to capitalize the LLRF.*

(iii) The LLRF must be held in an interest-bearing, Federally-insured deposit account separate and distinct from any other fund owned by the microlender. *The maximum amount that any single microlender may owe the Agency at any given time is \$2,500,000. Therefore, at a 5 percent minimum requirement, most LLRF accounts will not exceed \$125,000. This is well within the range of Federally insured deposit maximums. Therefore, provided the microlender is able to identify what reserve funds are attached to which loan from the Agency, all LLRF funds may be held in a single account. That account must be separate and distinct from any other account. If a microlender chooses to house each program LLRF separately from all other program LLRFs, each must be in a separate and distinct account from any other accounts.*

(iv) The LLRF must remain open, appropriately capitalized, and active until such time as:

(A) All obligations owed to the Agency by the microlender under this program are paid in full; or

(B) The LLRF is used to assist with full repayment or prepayment of the microlender's program debt.

(v) Earnings on the LLRF account must remain a part of the account except as stipulated in § 4280.311(e)(2). *Interest earned on the LLRF will remain in the LLRF except as noted in this section. This helps ensure that when a loss occurs, at least part of the requirement for replenishing the LLRF will be covered. It also ensures that funds earned by the program, stay with the program for the long term.*

(3) Use of LLRF. The LLRF must be used only to:

(i) Recapitalize the RMRF in the event of the loss and write-off of a microloan; that is, when a loss has been paid to the RMRF, from the LLRF, the microlender must, within 30 days, replenish the LLRF, with non-federal funds, to the required level;

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(ii) Accept non-Federal deposits as required for maintenance of the fund at a level equal to 5 percent or more of the amount owed to the Agency by the microlender under this program; *To maintain compliance with the program Cost Share requirements, only non-Federal funds may be deposited to the LLRF.*

(iii) Accrue interest (interest earnings accrued by the LLRF will become part of the LLRF and may be used only for eligible purposes); and

(iv) Prepay or repay the Agency program loan.

(4) LLRF funded at time of closing. The LLRF account must be established by the microlender prior to the closing of the loan from the Agency. At the time of initial loan closing, sources of funding for the LLRF must be identified by the microlender so that as microloans are made, the amount in the LLRF can be built over time to an amount greater than or equal to 5 percent of the amount owed to the Agency by the microlender under this program. After the first disbursement is made to a microlender, further disbursements will only be made if the LLRF is funded at the appropriate amount. After the initial loan is made to a microlender, subsequent loan closings will require the LLRF to be funded in an amount equal to 5 percent of the anticipated initial drawdown of funds for the RMRF. Federal funds, except where specifically permitted by other laws, may not be used to fund LLRF.

(5) Additional LLRF funding. In the event of exhibited weaknesses, such as losses that are greater than 5 percent of the microloan portfolio, on the part of a microlender, the Agency may require additional funding be put into the LLRF; however, the Agency may never require an LLRF of more than 10 percent of the total amount owed by the microlender.

(h) Recordkeeping, reporting, and oversight. Microlenders must maintain all records applicable to the program and make them available to the Agency upon request. Microlenders must submit quarterly reports as specified in paragraphs (h)(1) through (4) of this section. Portfolio reporting requirements must be met via the electronic reporting system. Other reports, such as narrative information, may be submitted as hard copy in the event the microlender, grantee, or Agency do not have the capability to submit or accept same electronically.

(1) Periodic reports. On a quarterly basis, within 30 days of the end of the calendar quarter, each microlender that has an outstanding loan under this section must provide to the Agency:

(i) Quarterly reports, using an Agency-approved form, containing such information as the Agency may require, and in accordance with OMB circulars and guidance, to ensure that funds provided are being used for the purposes for which the loan to the microlender was made. At a minimum, these reports must identify each microborrower under this program and should include a discussion reconciling the microlender's actual results for the period against its goals, milestones, and objectives as provided in the application package;

(ii) SF-PPR, "Performance Progress Report" cover sheet, performance measures (SF-PPR-A), and activity based expenditures (SF-PPR-E); and

(iii) SF-270, "Request for Advance or Reimbursement," *when reporting and requesting a draw of funds simultaneously.*

(2) Minimum retention. Microlenders must provide evidence in their quarterly reports that the sum of the unexpended amount in the RMRF, plus the amount in the LLRF, plus debt owed by the microborrowers is equal to a minimum of 105 percent of the amount owed by the microlender to the Agency unless the Agency has established a higher LLRF reserve requirement for a specific microlender.

(3) Combining accounts and reports. If a microlender has more than one loan from the Agency, a separate report must be made for each except when RMRF accounts have been combined. A microlender may combine RMRF accounts only when:

(i) The underlying loans have the same rates, terms and conditions; *An RMRF that meets the Cost Share requirements of paragraph (d)(1) of this section through the microborrower level option cannot be combined with a RMRF that meets the Cost Share requirements through the RMRF level option.*

(ii) The combined report allows the Agency to effectively administer the program, including providing the same level of transparency and information for each loan as if separate RMRF reports had been prepared; and

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(iii) The accompanying LLRF fund reports also provide the same level of transparency and information for each loan as if separate LLRF reports had been prepared.

(iv) The Agency must approve the combining of accounts and reports in writing before such accounts are combined and reports are submitted.

(4) Delinquency. In the event that a microlender has delinquent loans in its RMAP portfolio, quarterly reports will include narrative explanation of the steps being taken to cure the delinquencies.

(5) Other reports. Other reports may be required by the Agency from time to time in the event of poor performance, one or more work out agreements or other such occurrences that require more than the usual set of reporting information.

(6) Site visits. The Agency may, at any time, choose to visit the microlender and inspect its files to ensure that program requirements are being met.

(7) Access to microlender's records. Upon request by the Agency, the microlender will permit representatives of the Agency (or other agencies of the U.S. Department of Agriculture authorized by that Department or the U.S. Government) to inspect and make copies of any records pertaining to operation and administration of this program. Such inspection and copying may be made during regular office hours of the microlender or at any other time agreed upon between the microlender and the Agency.

(8) Changes in key personnel. Before any additions are made to key personnel, the microlender must notify and the Agency must approve such changes. *This does not provide the Agency with an automatic power of veto over an anticipated hire. It does provide the Agency with the authority to provide advice or guidance regarding a tentatively selected applicant and to discuss the applicant with the Microlender or TA-only provider if needed. Agency personnel should be careful to maintain confidentiality for the Microlender and not to contact the selected applicant.*

§ 4280.312 Loan approval and closing.

(a) Loan approval and obligating funds. The loan will be considered approved on the date the signed copy of Form RD 1940-1, "Request for Obligation of Funds," is signed by the Agency. Form RD 1940-1 authorizes funds to be obligated and may be executed by the Agency provided the microlender has the legal authority to contract for a loan, and to enter into required agreements, including an Agency-approved loan agreement, and meets all program loan requirements and has signed Form RD 1940-1. *After signing Form RD 1940-1, the approving official will process an obligation of loan funds. The requesting official will record the date and time of request, and initial on the original Form RD 1940-1. Immediately after verifying that funds have been reserved, the Processing Officer will notify the Legislative Affairs Staff in the National Office as required by RD Instruction 2015-C. The obligation date and date the MDO is notified of loan approval by mailing Form RD 1940-1 is 6 working days from the date funds are reserved unless an exception is granted by the National Office. The Processing Officer will record the date of MDO notification on the original of Form RD 1940-1 and include it as a permanent part of the official file. After the loan has been approved, the Processing Office will prepare the promissory note and loan agreement for review by the Regional OGC and the MDO.*

(b) Letter of conditions. Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign, and return Form RD 1942-46, "Letter of Intent to Meet Conditions," to the Agency; or if certain conditions cannot be met, the applicant may propose alternate conditions. The Agency will review any requests for changes to the letter of conditions. The Agency may approve only minor changes that do not materially affect the microlender. Changes in legal entities prior to loan closing will not be approved. ***If the Agency is able to make the loan, it will provide the MDO a letter of conditions listing all requirements for the loan. Immediately after reviewing the conditions and requirements in the letter of conditions, the MDO should complete, sign and return the form provided by the Agency indicating the MDO's intent to meet the conditions. If certain conditions cannot be met, the MDO may propose alternate conditions to the Agency. The Agency loan approval official must concur with any changes made to the initially issued or proposed letter of conditions prior to acceptance.*** Requirements listed in letters of conditions will ordinarily include: maximum amount of loan which may be considered, terms of loan,

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description of the use of loan funds, verification requirements, cost share requirements, disbursement of funds, security requirements, and audit reports required. The letter of conditions will contain the following paragraphs:

"This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. Any changes in project cost, source of funds, project scope, or any other significant changes in the project or MDO must be reported to and approved by USDA by written amendment to this letter. Any changes not approved by USDA shall be cause for discontinuing processing of the application."

"This letter is not to be considered as loan/grant approval or as representation to the availability of funds. The docket may be completed on the basis of a loan/granty not to exceed \$____."

The MDO's attorney will provide an opinion, satisfactory to RBS, that RBS has a first lien position on the borrower's RMRF depository bank account.

"You must certify at loan(grant) closing that since the Agency's issuance of the letter of conditions there has been no material changes in your financial condition nor any other material change in the MDO."

"The loan/grant will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you."

"Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given your application."

"If the conditions set forth in this letter are not met within _____ days from the date hereof, the Agency reserves the right to discontinue the processing of the application. You will be notified, in writing, by the Agency of any such discontinuance."

(c) Loan closing.

After the loan has been approved, the Processing Office will prepare the promissory note and loan agreement for review by the Regional OGC and the MDO. The Processing Office will forward the appropriate loan docket items to the OGC office in the region in which the borrower is located for review. For the purpose of this paragraph, the District of Columbia is considered to be in Maryland. After an administrative review, the Processing Office will include with the docket a letter with recommendations and indicating any special items, documents, or problems that need to be addressed specifically which may have a significant impact upon the loan or may be contrary to the regulation. The docket will be assembled for OGC review and indexed and tabbed. OGC will review the docket, furnish advice on noted deficiencies, and issue closing instructions. Loans will be closed by the Processing Office with such assistance of the Regional Attorney as is needed. In all cases, the Processing Officer will conduct a review before the loan is closed to assure that all requirements of the application, letter of conditions, and loan agreement have been met including required certifications, and will provide such verification in the loan file, including arrangements for annual audit reports. Agency personnel shall not sign any documents other than those specifically provided for in this Instruction.

(1) Prior to loan closing, microlenders must provide evidence that the RMRF and LLRF bank accounts have been set up and the LLRF has been, or will, be funded as described in § 4280.311(g)(4). Such evidence shall consist of:

(i) A pre-authorized debit form allowing the Agency to withdraw payments from the RMRF account, and in the event of a repayment workout, from the LLRF account;

(ii) An Agency-approved automatic deposit authorization form from the depository institution providing the Agency with the RMRF account number into which funds may be deposited at time of disbursement to the microlender;

(iii) A statement from the depository institution as to the amount of cash in the LLRF account;

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(iv) An Agency-approved promissory note must be executed at loan closing; *and*, a loan agreement must be executed for each loan by the MDO and the Agency at loan closing. The loan agreement will be prepared by the Agency using Form RD 4274-4, "Intermediary Relending Program/Rural Microentrepreneur Assistance Program Loan Agreement," and reviewed by the MDO prior to loan closing; and

(v) An appropriate security agreement on the LLRF and RMRF accounts.

(2) At loan closing, the microlender must certify that:

(i) All requirements of the letter of conditions have been met and

(ii) There has been no material adverse change in the microlender or its financial condition since the issuance of the letter of conditions. If one or more adverse changes have occurred, the microlender must explain the changes and the Agency must determine that the microlender remains eligible and qualified to participate as an MDO.

(3) The microlender will provide sufficient evidence, which may include but is not limited to, mechanics' lien waivers or in their absence receipts of payment, that no law suits are pending or threatened that would adversely affect the security of the microlender when Agency security instruments are filed. *When the loan has been closed, the Processing Officer will submit the security instruments, other documents used in closing, and a statement that administrative requirements have been met to the Regional Attorney. The Regional Attorney will review the submitted material and determine whether all legal requirements have been met.*

§ 4280.313 Grant provisions.

(a) General. *There are two types of technical assistance grants in the RMAP. Microlender technical assistance grants to microlenders participating in RMAP with an active RMRF or applying to participate and, technical assistance-only grants to MDOs not participating in RMAP as a microlender nor applying for a loan to become a RMAP microlender. The following provisions apply to each type of grant offered under this program unless otherwise specified annually in a Federal Register notice. Competition for these funds will occur as a part of the application and qualification process of becoming a microlender. Failure to meet scoring benchmarks will preclude an applicant from receiving loan and/or grant dollars. Once an MDO is participating as a microlender, grant funds will be made available automatically based on lending and the availability of funds. Once a MDO has received a RMAP loan, subsequent microlender technical assistance grants will be made, non-competitively, based on the microlender's microlending activity and availability of funds.*

(1) Grant amounts.

(i) The maximum TA grant amount for a microlender is 25 percent of the first \$400,000 of outstanding microloans owed to the microlender under this program, plus an additional 5 percent of the outstanding loan amount owed by the microborrowers to the lender under this program over \$400,000 up to and including \$2.5 million. This calculation leads to a maximum grant of \$205,000 annually for any microlender to provide technical assistance to its clients. These grants will be awarded annually.

(ii) The maximum amount of a TA-only grant under this program will not exceed 10 percent of the amount of funding available for TA-only grants. The amount of funding available for TA funding will be announced annually and will be based on the availability of funds. In no case will funding for the TA-only grants exceed 10 percent of the amount appropriated for the program each Federal fiscal year. *The amount of funding available each Federal Fiscal Year for TA-only grants and the maximum amount of each TA-only grant will be announced annually in the Federal Register.*

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(2) Matching requirement. The MDO is required to provide a match of not less than 15 percent of the total amount of the grant in the form of matching funds, indirect costs, or in-kind goods or services. Unless specifically permitted by laws other than the statute authorizing RMAP, matching contributions must be made up of non-Federal funding.

(3) Administrative expenses. Not more than 10 percent of a grant received by a MDO for a Federal fiscal year (FY) may be used to pay administrative expenses. MDOs must submit an annual budget of proposed administrative expenses for Agency approval. The Agency has the right to deny the 10 percent and to fund administration expenses at a lower level.

(4) Ineligible grant purposes. Grant funds, matching funds, indirect costs, and in-kind goods and services may not be used for:

(i) Grant application preparation costs;

(ii) Costs incurred prior to the obligation date of the grant;

(iii) Capital improvements; *"Capital improvements" means a repair or remodeling of a property's structure or area that adds life to the property or value to the property and does not preclude the use of grant proceeds for the purchase of equipment such as computers and printers, etc. as long as such equipment is used solely for the technical assistance associated with this program.*

(iv) Political or lobbying activities;

(v) Assistance to any ineligible entity;

(vi) Payment of any judgment or debt owed; and

(vii) Payment of any costs other than those allowed in paragraphs (b)(1) and (c) of this section.

(5) Changes in key personnel. Before any additions are made to key personnel, the microlender must notify and the Agency must approve such changes.

(b) Grants to assist microentrepreneurs (Microlender Technical Assistance (TA) Grants). The capacity of a microlender to provide an integrated program of microlending and technical assistance will be evaluated during the scoring process. An eligible MDO selected to be a microlender will be eligible to receive a microlending TA grant if it receives funding to provide microloans under this program.

(1) Purpose. The Agency shall make microlender TA grants to microlenders to assist them in providing marketing, management, and other technical assistance to rural microentrepreneurs and microenterprises that have received or are seeking one or more microloans from the microlender.

(2) Grant amounts. Microlender TA grants will be limited to an amount equal to not more than 25 percent of the total outstanding balance of microloans made under this program and active by the microlender as of the date the grant is awarded for the first \$400,000 plus an additional 5 percent of the loan amount owed by the microborrowers to the lender under this program over \$400,000 up to and including \$2.5 million. Funds cannot be used to pay off the loans. During the first year of operation, the percentage will be determined based on the amount of the loan to the microlender, but will be disbursed on a quarterly basis based on the amount of microloans made. Any grant dollars obligated, but not spent, from the initial grant, will be subtracted from the subsequent year grant to ensure that obligations cover only microloans made and active.

(3) TA grant fund uses and limitations. The microlender will agree to use TA grant funding exclusively for providing technical assistance and training to eligible microentrepreneurs and microenterprises, with the exception that up to 10 percent of the grant funds may be used to cover the microlender's administrative expenses, except as may be reduced as provided under § 4280.313(a)(3). The following limitations will apply to TA grant funding:

(i) Administrative expenses should be kept to a minimum. As such, the applicant MDO is required, in the application materials, to provide an administrative budget plan indicating the amount of funding it will need for administrative purposes. Applicants will be scored accordingly, with those using less than 10 percent of the funding for administrative purposes being scored higher than those using 10 percent of the funding for administrative purposes.

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(ii) While operating the program, the selected microlender will be expected to adhere to the estimates it provides in the application. If for any reason, the microlender cannot meet the expectations of the application, it must contact the Agency in writing to request a budget adjustment.

(iii) At no time will it be appropriate for the microlender to expend more than 10 percent of its grant funding on administrative expenses. Microlenders that go over 10 percent will be considered in performance default and may be subject to forfeiting funding.

(iv) Budget adjustments will be considered within the 10 percent limitation and approved or denied on a case-by-case basis. *Reviewers should refer to applicant's score sheet to ensure that any adjustment does not alter the applicant's score so as to have prevented it from receiving funding.*

(c) TA-only grants. Grants will be competitively made to MDOs for the purpose of providing technical assistance and training to prospective microborrowers. Technical assistance-only grants will be provided to eligible MDOs that seek to provide business-based technical assistance and training to eligible microentrepreneurs and microenterprises, but do not seek funding for an RMRF. Entities receiving microlending TA grants will not be eligible to apply for TA-only grants.

(1) Grant term. TA-only grants will have a grant term not to exceed 12 months from the date the grant agreement is signed.

(2) Funding level. The maximum amount of a TA-only grant under this program will not exceed 10 percent of the amount of funding available for TA-only grants. In no case will funding for the TA-only grants exceed 10 percent of the amount appropriated for the program each Federal fiscal year.

(3) Loan referencing. TA-only grantees will be required to:

(i) Refer clients to internal or external non-program funded lenders for loans of \$50,000 or less and

(ii) Collect data regarding such clients. TA-only grantees will be considered successful if a minimum of 1-in-5 TA clients are referred for a microloan and are operating a business within 18 months of receiving technical assistance.

(4) Facilitation of access to capital. Technical assistance-only grantees will be expected to provide training and technical assistance services to the extent that access to capital for eligible microentrepreneurs and microenterprises is facilitated by referral to either an internal or external non-program loan fund so that these clients may take advantage of available financing programs.

(5) Microlender funding. No entity will receive grant funding as both a microlender and a TA-only provider; that is, RMAP microlenders are not eligible for TA-only funding and an MDO receiving TA-only funding are not eligible for microlender funding.

(d) Grant agreement. For any grant to an MDO or microlender, the Agency will notify the approved applicant in writing, using an Agency-approved grant agreement setting out the conditions under which the grant will be made. The form will include those matters necessary to ensure that the proposed grant is completed in accordance with the proposed project, that grant funds are expended for authorized purposes, and that the applicable requirements prescribed in the relevant Department regulations are complied with.

§§ 4280.314 [Reserved]

§ 4280.315 MDO application and submission information.

(a) Initial and subsequent applications. Applications shall be submitted in accordance with the provisions of this subpart unless adjusted by the Agency in an annual Federal Register Notice for Solicitation of Applications (NOSA) or a Notice of Funding Availability (NOFA), depending on the availability of funds at the time of publication. *An MDO may submit an initial or subsequent application for a TA-only grant, an initial application for a loan with a microlender technical assistance grant, or an initial or subsequent loan-only (without a microlender technical assistance grant). A microlender does not need to submit a subsequent application for its annual microlender technical assistance grant. The procedures for the annual microlender technical assistance grant will be included in the Final Rule.*

(1) The information required in this section is necessary for an application to be considered complete.

(2) When preparing applications, applicants are strongly encouraged to review the scoring criteria in § 4280.316 and provide documentation that will support a competitive score.

(3) Only those applicants that meet the basic eligibility requirements in § 4280.310 will have their applications fully scored and considered for participation in the program under this section.

(b) Content and form of submission. The content and form requirements will differ based on the nature of the application. All applicants must provide the information specified in paragraph (c) of this section. Additional application information is required in paragraph (d) of this section depending on the type of application being submitted.

(c) Application information for all applicants. All applicants must provide the following information and forms fully completed and with all attachments:

(1) Standard Form-424, "Application for Federal Assistance."

(2) Standard Form-424A, "Budget Information - Non-construction Programs."

(3) Standard Form-424B, "Assurances - Non-construction Programs."

(4) For entities that are applying for more than \$150,000 in loan funds and/or more than \$100,000 in grant funds, only, SF LLL, "Disclosure of Lobbying Activities."

(5) AD 1047, "Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transaction."

(6) For entities applying for program loan funds to become an RMAP microlender only, Form RD 1910-11, "Certification of No Federal Debt."

(7) Form RD 400-8, "Compliance Review." *Compliance reviews are conducted by the Agency; however, the applicant should supply the information.*

(8) Demonstration that the applicant is eligible to apply to participate in this program. To demonstrate eligibility, applicants must submit documentation that the applicant is an MDO as defined in § 4280.302, as follows:

- (i) If a nonprofit entity, evidence that the applicant organization meets the citizenship requirements;
- (ii) If a nonprofit entity, a copy of the applicant's bylaws and articles of incorporation, which include evidence that the applicant is legally considered a non-profit organization;
- (iii) If an Indian tribe, evidence that the applicant is a Federally-recognized Indian tribe, and that the tribe neither operates nor is served by an existing MDO;
- (iv) If a public institution of higher education, evidence that the applicant is a public institution of higher education; and
- (v) For nonprofit applicants only, a Certificate of Good Standing, not more than 6 months old, from the Office of the Secretary of State in the State in which the applicant is located. If the applicant has offices in more than one state, then the state in which the applicant is organized and licensed will be considered the home location.

(9) Certification by the applicant that it cannot obtain sufficient credit elsewhere to fund the activities called for under this program with similar rates and terms.

(10) Form RD 400-4, "Assurance Agreement."

(d) Type of application specific information. In addition to the information required under paragraph (c) of this section, the following information is also required, as applicable:

- (1) The information specified in § 4280.316(a).
- (2) An applicant for status as a microlender with more than 3 years of experience as an MDO seeking to participate as a microlender must provide the additional information specified in § 4280.316(b). Such an applicant will be applying for a loan to capitalize an RMRF, which, unless otherwise requested by the applicant, will be accompanied by a microlending TA grant.

§ 4280.315(d) (Con.)

(3) An applicant for status as a microlender with 3 years or less experience as an MDO seeking to participate as a microlender must provide the additional information specified in § 4280.316(c). Such an applicant will be applying for a loan to capitalize an RMRF, which, unless otherwise requested by the applicant, will be accompanied by a microlending TA grant.

(4) All applicants seeking status as a microlender must identify in their application which cost share option(s) the applicant will utilize, as described in § 4280.311(d), to meet the Federal cost share requirement. If the applicant will utilize the RMRF-level option, the applicant shall identify the amount(s) and source(s) of the non-Federal share.

(5) An applicant seeking TA-only grant funding must provide the additional information specified in § 4280.316(d).

(e) Application limits. Paragraph (d) of this section sets out three types of funding under which applications may be submitted. MDOs may only submit and have pending for consideration, at any given time, one application, regardless of funding category.

(f) Completed applications. Applications that fulfill the requirements specified in paragraphs (a) through (e) of this section will be fully reviewed, scored, and ranked by the Agency in accordance with the provisions of § 4280.316.

(g) Agency evaluation of application.

(1) *Within 7 calendar days of receipt of an RMAP application, the Processing Office must input the necessary data into the appropriate application processing and tracking system and notify the National Office, Specialty Lenders Division, by e-mail of the date the application was received, the name and address of the proposed MDO and the amount of loan and/or grant requested.*

(2) *A priority score sheet must be completed, along with the appropriate documentation as directed by the National Office, and submitted to arrive in the National Office, Specialty Lenders Division, no later than the last day of the month prior to the first day of the quarter in which the applicant wants to be considered for an allocation of funds.*

(3) The Processing Office will evaluate the application, and make a determination whether: the MDO is eligible; the proposed loan or grant is for an eligible purpose; there is reasonable assurance of repayment ability, and the proposed loan or grant complies with all applicable statutes and regulations. If the Agency determines it is unable to provide the loan or grant, the MDO will be informed in writing in accordance with § 4280.304. Such notification will include the reasons for denial of the application.

§ 4280.316 Application scoring.

Applications will be scored based on the criteria specified in this section using only the information submitted in the application. The total available points per application are 100. Points will be awarded as shown in paragraphs (a) through (e) of this section. Awards will be based on the ranking, with the highest ranking applications being funded first, subject to available funding. Agency personnel are to ensure that points awarded are supported by documentation provided by the applicants. Narratives should be read carefully and compared to such documentation. Narratives scoring the highest score possible should be justified by the reviewing official and the documentation used should be pointed to in the justification. Entities selected to be microlenders are also being selected for their ability to train/mentor/and make technical assistance available to microborrowers. Therefore, it is essential that scoring of the narratives be accurate and supportable so as to ensure quality programming for microbusiness entities.

(a) Application requirements for all applicants. All applicants must submit the eligibility information described in § 4280.315. Only those applicants deemed eligible will be scored for qualification. Qualification information provides the complete forms and information necessary to determine a baseline of capacity. Additional information is specified depending on the level of experience or type of funding being applied for. The maximum points available in this part of the application are 45. In addition to the eligibility information, all applicants will submit:

(1) An organizational chart clearly showing the positions and naming the individuals in those positions. Of particular interest to the Agency are management positions and those positions essential to the operation of microlending and TA programming. Up to 5 points will be awarded.

§ 4280.316(a) (Con.)

(2) Resumes for each of the individuals shown on the organizational chart and indicated as key to the operation of the activities to be funded under this program. There should be a corresponding resume for each of the key individuals noted and named on the organizational chart. Points will be awarded based on the quality of the resumes and on the ability (based on the resumes) of the key personnel to administer the program. Up to 5 points will be awarded.

(3) A succession plan to be followed in the event of the departure of personnel key to the operation of the applicant's RMAP activities. Up to 5 points will be awarded.

(4) Information indicating an understanding of microenterprise development concepts. Provide those parts of your policy and procedures manual that deal with the provision of loans, management of loan funds, and provision of technical assistance. Up to 5 points will be awarded.

(5) Copies of the applicant's most recent, and two years previous, financial statements. Points will be awarded based on the demonstrated ability of the applicant to maintain or grow its bottom line fund balance, its ability to manage one or more federal programs, and its capacity to manage multiple funding sources, restricted and non-restricted funding sources, income, earnings, and expenditures. Up to 10 points will be awarded.

(6) A copy of the applicant's organizational mission statement. The mission statement will be rated based on its relative connectivity to microenterprise development and general economic development. The mission statement may or may not be a part of a larger statement. For example, if the mission statement is included in the by-laws or other organizational documents, please so note, direct the reviewer to the proper document, and do not submit these documents twice. Up to 5 points will be awarded.

(7) Information regarding the geographic service area to be served. Describe the service area, which must be rural as defined. State the number of counties or other jurisdictions to be served. Describe the demographics of the service area and whether or not the population is a diverse population. Note that the applicant will not be scored on the size of the service area, but on its ability to fully cover the service area as described. Up to 10 points will be awarded.

(b) Program loan application requirements for MDOs seeking to participate as RMAP microlenders with more than 3 years of experience. In addition to the information required under paragraph (a) of this section, applicants with more than 3 years of experience as a microlender, *including non-RMAP microloans*, also must provide the information specified in paragraphs (b)(1) through (5) of this section. The total number of points available under this paragraph, in addition to the up to 45 points available in paragraph (a) of this section, is 55, for a total of 100.

(1) History of provision of microloans. The applicant must provide data regarding its history of making microloans for the three years previous to this application by answering the questions in paragraphs (b)(1)(i) through (vi) of this section. This information should be provided clearly and concisely in numerical format as the data will be used to calculate points as noted. Figure 1 presents an example of the format and data required. The maximum number of points under this criterion is 20.

Data Item	Federal FY			
	Last Fiscal Year	Year before last Fiscal year	2 nd year before last Fiscal Year	Total
Total # of Microloans Made				
Total \$ Amount Of Microloans Made				
# of Microloans Made In Rural Areas				
Total \$ Amount Of Microloans Made In Rural Areas				
# of Microloans Made To racial and ethnic minorities				
# Of Microloans Made To women				
# Of Microloans Made To the Disabled				

Figure 1. Example of Format and Data Requirements

(i) Number and amount of microloans made during each of the three previous Federal FYs. Do not include current year information. A narrative may be included as a separate attachment, not in the body of the suggested table.

(ii) Number and amount of microloans made in rural areas in each of the three years prior to the year in which the application is submitted. If the history of providing microloans in rural areas shows:

(A) More than the three consecutive years immediately prior to this application, 5 points will be awarded;

(B) At least two of the years but not more than the three consecutive years immediately prior to this application, 3 points will be awarded;

(C) At least 6 months, but not more than one year immediately prior to this application, 1 point will be awarded.

(iii) Percentage of number of loans made in rural areas. Calculate and enter the total number of microloans made in rural areas as a percentage of the total number of all microloans made for each of the past three Federal FYs. If the percentage of the total number of microloans made in rural areas is:

(A) 75 percent or more, 5 points will be awarded;

(B) At least 50 percent but less than 75 percent, 3 points will be awarded;

(C) At least 25 but less than 50 percent, 1 point will be awarded.

(iv) The percentage of dollar amount of loans made in rural areas. Enter the dollar amount of microloans made in rural areas as a percentage of the dollar amount of the total portfolio (rural and non-rural) of microloans made for each of the previous three Federal FYs. If percentage of the dollar amount of the microloans made in rural areas is:

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(A) 75 percent or more of the total amount, 5 points will be awarded;

(B) At least 50 percent but less than 75 percent, 3 points will be awarded;

(C) At least 25 percent but less than 50 percent, 1 point will be awarded.

(v) Each applicant shall compare the diversity of its entire microloan portfolio to the demographic makeup of its service area (as determined by the latest applicable decennial census for the State) based on the number of microloans made during the three years preceding the subject application. Demographic groups shall include gender, racial and ethnic minority status, and disability (as defined in The Americans with Disabilities Act). Points will be awarded on the basis of how close the MDO's microloan portfolio matches the demographic makeup of its service area. A maximum of 5 points will be awarded.

(A) If at least one loan has been made to each demographic group and if the percentage of loans made to each demographic group is each within 5 or less percent of the demographic makeup, 5 points will be awarded.

(B) If at least one loan has been made to each demographic group and if the percentage of loans made to each demographic group is each within 10 or less percent of the demographic makeup, 3 points will be awarded.

(C) If at least one loan has been made to each demographic group and if the percentage of loans made to one or more of the demographic groups is greater than 10 percent of the demographic makeup or if no loans have been made to one of the demographic groups and if the percentage of loans made to each of the other demographic groups is each within 10 or less percent of the demographic makeup, 1 point will be awarded..

(D) If no loans have been made to two or more demographic groups, no points will be awarded.

§ 4280.316(b) (Con.)

(2) Portfolio management. Each applicant's ability to manage its portfolio will be determined based on the data provided in response to paragraphs (b)(2)(i) and (ii) of this section and scored accordingly. The maximum number of points under this criterion is 10.

(i) Enter the total number of your microloans paying on time for the three previous Federal FYs. If the total number of microloans paying on time at the end of each year over the prior three Federal FYs is:

(A) 95 percent or more, 5 points will be awarded;

(B) At least 85 percent but less than 95 percent, 3 points will be awarded;

(C) Less than 85 percent, 0 points will be awarded.

(ii) Enter the total number of microloans 30 to 90 days in arrears or that have been written off at year end for the three previous Federal FYs. If the total number of these microloans is:

(A) 5 percent or less of the total portfolio, 5 points will be awarded;

(B) More than 5 percent, 0 points will be awarded.

(3) History of provision of technical assistance. Each applicant's history of provision of technical assistance to microentrepreneurs and microenterprises, and their ability to reach diverse communities, will be scored based on the data specified in paragraphs (b)(3)(i) through (iv) of this section. Applicants may use a chart such as that suggested in Figure 1 as they deem appropriate. The maximum number of points under this criterion is 15.

(i) Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both microloans and TA services for each of the previous three Federal FYs.

(ii) Provide the percentage of the total number of only rural microentrepreneurs and rural microenterprises that received both microloans and TA services for each of the previous three Federal FYs (calculate this as the total number of rural microloans made each year divided by the total number of loans made during the past three Federal FYs). If provision of both microloans and technical assistance to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of:

- (A) 75 percent or more, 5 points will be awarded;
- (B) At least 50 percent but less than 75 percent, 3 points will be awarded;
- (C) At least 25 percent but less than 50 percent, 1 point will be awarded.

(iii) Provide the percentage of the total number of rural microentrepreneurs and rural microenterprises by racial and ethnic minority, disabled, and/or gender that received both microloans and TA services for each of the previous three Federal FYs. If the demonstrated provision of microloans and technical assistance to these rural microentrepreneurs and rural microenterprises is at a rate of:

- (A) 75 percent or more, 5 points will be awarded;
- (B) At least 50 percent but less than 75 percent, 3 points will be awarded;
- (C) At least 25 percent but less than 50 percent, 1 point will be awarded.

(iv) Provide the ratio of TA clients that also received microloans during each of the previous three Federal FYs. If the ratio of clients receiving technical assistance to clients receiving microloans is:

- (A) Between 1:1 and 1:5, 5 points will be awarded.
- (B) Between 1:6 and 1:8, 3 points will be awarded.
- (C) Either 1:9 or 1:10, 1 point will be awarded.

§ 4280.316(b) (Con.)

(4) Ability to provide technical assistance. In addition to providing a statistical history of their provision of technical assistance to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training methods used by the applicant organization to provide such technical assistance and discussing the outcomes of their endeavors. Technical assistance is defined in § 4280.302. The narrative will be scored as specified in paragraphs (b)(4)(i) through (iv) of this section. The maximum number of points under this criterion is 5.

(i) Applicants that have used more than one method of training and technical assistance (e.g., classroom training, peer-to-peer discussion groups, individual assistance, distance learning) will be awarded 2 points.

(ii) Applicants that provide success stories to demonstrate the effects of technical assistance on their clients will be awarded 1 point.

(iii) Applicants that provide evidence that they require evaluations by the clients of their training programs and indicate that the average level of evaluation scores is "good" or higher will be awarded 1 point.

(iv) Applicants that present their narrative information clearly and concisely (five pages or less) and at a level expected by trainers and teachers will be awarded 1 point.

(5) Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:

(i) Less than 5 percent of the TA grant funding, 5 points will be awarded;

(ii) Between 5 percent and 8 percent, but not including 8 percent, 3 points will be awarded; and

(iii) Between 8 percent up to and including 10 percent,
0 point will be awarded.

(c) Application requirements for MDOs seeking to participate as RMAP microlenders with 3 years or less experience. In addition to the information required under paragraph (a) of this section, an applicant MDO with 3 years or less experience that is applying to be a microlender must submit the information specified in paragraphs (c)(1) through (8) of this section. The total number of points available under this paragraph, in addition to the up to 45 points available in paragraph (a) of this section, is 55, for a total of 100.

(1) The applicant must provide a narrative work plan that clearly indicates its intention for the use of loan and grant funding. Provide goals and milestones for planned microlending and technical assistance activities. In relation to the information requested in paragraph (a) of this section, the applicant must describe how it will incorporate its mission statement, utilize its employees, and maximize its human and capital assets to meet the goals of this program. The applicant must provide its strategic plan and organizational development goals and clearly indicate its lending goals for the five years after the date of application. The narrative work plan should be not more than five pages in length. Up to 10 points will be awarded.

(2) The applicant will provide the date that it began business as an MDO or other provider of business education and/or facilitator of capital. This date will reflect when the applicant became licensed to do business, in good standing with the Secretary of State in which it is registered to do business, and regularly paid staff to conduct business on a daily basis. If the applicant has been in business for:

(i) More than 2 years but less than 3 years, 5 points will be awarded;

(ii) At least 1 year, but not more than 2 years, 3 points will be awarded;

(iii) At least 6 months, but not more than 1 year, 1 point will be awarded;

(iv) Less than 6 months, or more than 3 full years, 0 points will be awarded. (If more than 3 full years, the applicant must apply under the provisions for MDOs with more than 3 years experience as specified in § 4280.316(b).)

(3) The applicant must describe in detail any microenterprise development training received by it as a whole, or its employees as individuals, to date. The narrative may refer reviewers to already submitted resumes to save space. The training received will be rated on its topical variety, the quality of the description, and its relevance to the organization's strategic plan. The applicant should not submit training brochures or conference announcements. Up to 10 points will be awarded.

(4) The applicant must indicate its current number of employees, those that concentrate on rural microentrepreneurial development, and the current average caseload for each. Indicate how the caseload ratio does or does not optimize the applicant's ability to perform the services described in the work plan. Discuss how Agency grant funding will be used to assist with TA program delivery and how loan funding will affect the portfolio. Up to 5 points will be awarded.

(5) The applicant must indicate any training organizations with which it has a working relationship. Provide contact information for references regarding the applicant's capacity to perform the work plan provided. If the recommendations received from references are:

- (i) Generally excellent, 5 points will be awarded;
- (ii) Generally above average, 3 points will be awarded;
- (iii) Generally average, 1 point will be awarded;
- (iv) Generally less than average, 0 points will be awarded.

(6) Describe any plans for continuing training relationship(s), including ongoing or future training plans and goals, and the timeline for same. Up to 5 points will be awarded.

(7) The applicant will describe its internal benchmarking system for determining client success, reporting on client success, and following client success for up to 5 years after completion of a training relationship. Up to 10 points will be awarded.

(8) The applicant will identify its proposed administrative expenses to be spent from TA grant funds. The maximum total number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:

(i) Less than 5 percent of the TA grant funding, 5 points will be awarded;

(ii) Between 5 percent and 8 percent, but not including 8 percent, 3 points will be awarded; and

(iii) Between 8 percent up to and including 10 percent, 0 points will be awarded.

(d) Application requirements for MDOs seeking technical assistance-only grants. TA-only grants may be provided to MDOs that are not RMAP microlenders seeking to provide training and technical assistance to rural microentrepreneurs and rural microenterprises. An applicant seeking a TA-only grant must submit the information specified in paragraphs (d)(1) through (4) of this section. The total number of points available under this section, in addition to the 45 points available in paragraph (a) of this section, is 55, for a total of 100 points.

(1) History of provision of technical assistance. Each applicant's history of provision of technical assistance to microentrepreneurs and microenterprises, and their ability to reach diverse communities, will be scored based on the data specified in paragraphs (d)(1)(i) through (iv) of this section. Applicants may use a chart such as that suggested in Figure 1 as they deem appropriate. The maximum number of points under this criterion is 20.

(i) Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both microloans and TA services for each of the previous three Federal FYs.

(ii) Provide the percentage of the total number of rural microentrepreneurs and rural microenterprises that received both microloans and TA services for each of the previous three Federal FYs (calculate this as the total number of rural microloans made each year divided by the total number of rural and non-rural microloans made during the past three Federal FYs). If provision of both technical assistance and resultant microloans to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of:

- (A) 75 percent or more, 5 points will be awarded;
- (B) At least 50 percent but less than 75 percent, 3 points will be awarded;
- (C) At least 25 percent but less than 50 percent, 1 point will be awarded.

(iii) Provide the percentage of the total number of rural microentrepreneurs by racial and ethnic minority, disabled, and/or gender that received both microloans and TA services for each of the previous three Federal FYs. If the demonstrated provision of technical assistance and resultant microloans to these rural microentrepreneurs when compared to the total number of microentrepreneurs assisted, is at a rate of:

- (A) 75 percent or more, 10 points will be awarded;
- (B) At least 50 percent but less than 75 percent, 7 points will be awarded;
- (C) At least 25 percent but less than 50 percent, 5 point will be awarded.

(iv) Provide the ratio of TA clients that also received microloans during each of the last three years. If the ratio of clients receiving technical assistance to clients receiving microloans is:

- (A) Between 1:1 and 1:5, 5 points will be awarded.

(B) Between 1:6 and 1:8, 3 points will be awarded.

(C) Either 1:9 or 1:10, 1 point will be awarded.

(2) Ability to provide technical assistance. In addition to providing a statistical history of their provision of technical assistance to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training method(s) used by the applicant organization to provide technical assistance and discussing the outcomes of their endeavors. The narrative will be scored as specified in paragraphs (d)(2)(i) through (iv) of this section. The maximum number of points under this criterion is 20.

(i) Applicants that have used more than one method of training and technical assistance (e.g., classroom training, peer-to-peer discussion groups, individual assistance, distance learning) will be awarded 5 points.

(ii) Applicants that provide success stories to demonstrate the effects of technical assistance on their clients will be awarded points under either of the following paragraphs, but not both.

(A) News stories that highlight businesses made successful as a result of technical assistance, 5 points will be awarded.

(B) Internal stories that highlight businesses made successful as a result of technical assistance, 3 points.

(iii) Applicants that provide evidence that they require evaluations by the clients of their training programs and indicate that the evaluation scores are generally:

(A) Excellent, 5 points will be awarded.

(B) Good, 3 points will be awarded.

(C) Less than good, 0 points will be awarded.

(iv) Applicants that present well-written narrative information that is clearly and concisely written and is five pages or less will be awarded 5 points.

(3) Technical assistance plan. Submit a plan for the provision of technical assistance explaining how the funding will benefit the current program and how it will allow the applicant to expand its non-program microlending activities. Up to 10 points will be awarded

(4) Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5. *The reason for this criterion is to establish the level of efficiency with which the applicant anticipates operating the program. Utilization of Agency funds for lending, rather than administration, is desirable.* If the percentage of grant funds to be used for administrative purposes is:

(i) Less than 5 percent of the TA grant funding, 5 points will be awarded;

(ii) Between 5 percent and 8 percent, but not including 8 percent, 3 points will be awarded; and

(iii) Between 8 percent up to and including 10 percent, 1 point will be awarded.

(e) Re-application requirements for participating microlenders with more than 5 years experience as a microlender under this program.

(1) Microlender applicants with more than 5 years of experience as an MDO under this program may choose to submit a shortened loan/grant application that includes the following:

(i) A letter of request for funding stating the amount of loan and/or grant funds being requested;

(ii) An indication of the loan and/or grant amounts being requested accompanied by a completed SF 424 and any pertinent attachments;

(iii) An indication of the number and percent of program microentrepreneurs and microenterprises remaining in business for two years or more after microloan disbursement; and

(iv) A recent resolution of the applicant's Board of Directors approving the application for debt.

(2) The Agency, using this request, and data available in the reports submitted under previous fundings, will review the overall program performance of the applicant over the life of its participation in the program to determine its continued qualification for subsequent funding. Requirements include:

(i) A default rate of 5 percent or less;

(ii) A pattern of delinquencies during the period of participation in the this program of 10 percent or less;

(iii) A pattern of use of TA dollars that indicates at least one in ten TA clients receive a microloan;

(iv) A statement discussing the need for more funding, accompanied by account documentation showing the amounts in each of the RMRF and LLRF accounts established to date; and

(v) A pattern of compliance with program reporting requirements.

(3) Shortened applications under this section will be rated on a pass or fail basis. Passing applications will be assigned a score of 90 points and will be ranked accordingly in the quarterly competitions. Failing applications will be scored 0.

§ 4280.317 Selection of applications for funding.

All applications received will be scored using the scoring criteria specified in § 4280.316. Because each set of applicants is scored on a 100 point scale, applications will be ranked together. Shortened applications can only receive 90 points. *Shortened applications may only be submitted by microlenders that have been participating in the RMAP program for more than five years.* Within funding limitations, applications will be funded in descending order, from the highest ranking application down. If two or more applications score the same, the Administrator may prioritize such applications to help the program achieve overall geographic diversity.

(a) Timing and submission of applications.

(1) All applications must be submitted as a complete application, in one package. Packages must be bound in a three ring binder and evidence must be organized in the order of appearance in § 4280.315 of this document. Applications that are unbound, disorganized, or otherwise not ready for evaluation will be returned.

(2) Applications will be accepted on a quarterly basis using Federal fiscal quarters. Deadlines and specific application instructions will be published annually in the Federal Register.

(3) Applications received will be reviewed, scored, and ranked quarterly. Unless withdrawn by the applicant, the Agency will retain unsuccessful applications that score 70 points or more, for consideration in subsequent reviews, through a total of four quarterly reviews. Applications unsuccessful after 4 quarters will be returned.

(b) Availability of funds. If an application is received, scored, and ranked, but insufficient funds remain to fully fund it, the Agency may elect to fund an application requesting a smaller amount that has a lower score. Before this occurs, the Agency, as applicable, will provide the higher scoring applicant the opportunity to reduce the amount of its request to the amount of funds available. If the applicant agrees to lower its request, it must certify that the purposes of the project can be met, and the Agency must determine that the project is financially feasible at the lower amount.

(c) Applicant notification. The Agency will notify applicants regarding their selection or non-selection, provide appeal rights of unsuccessful applicants, and closing procedures for the loans and/or grants to awardees.

(d) Closing. Awardees unable to complete closing for obligation within 90 days will forfeit their funding. Such funding will revert back to the Agency for later use. *Microlenders will be expected to have all microlending policies and procedures and internal decisions regarding the borrowing of funds settled before application for loan funding is made to the Agency. Because applications will be accepted throughout the year on a quarterly basis, ninety days will allow for expeditious closing. The Agency initial disbursement of funds should take place on the same day, or near the same day as closing.*

§§ 4280.318 - 4280.319 [Reserved]

§ 4280.320 Grant administration.

(a) Oversight. Any MDO receiving a grant under this program is subject to Agency oversight, with site visits and inspection of records occurring at the discretion of the Agency. In addition, MDOs receiving a grant under this subpart must submit reports, as specified in paragraphs (a)(1) through (3) of this section.

(1) On a quarterly basis, within 30 days after the end of each Federal fiscal quarter, the microlender will provide to the Agency an Agency-approved quarterly report containing such information as the Agency may require to ensure that funds provided are being used for the purposes for which the grant was made, including:

(i) SF-PPR, "Performance Progress Report," including narrative reporting information as required by Office of Management and Budget (OMB) circulars and successor regulations. This report will include information on the microlender's technical assistance, training, and/or enhancement activity, and grant expenses, milestones met, or unmet, explanation of difficulties, observations and other such information;

(ii) As appropriate, SF-270; and

(iii) If requesting grant funding at the time of reporting, SF-PPR-E, "Activity Based Expenditures."

(2) If a microlender has more than one grant from the Agency, a separate report must be made for each.

(3) Other reports may be required by the Agency from time to time in the event of poor performance or other such occurrences that require more than the usual set of reporting information.

(b) Payments. The Agency will make grant payments not more often than on a quarterly basis. The first payment may be made in advance and will equal no more than one fourth of the grant award. Payment requests must be submitted on Standard Form 270 and will only be paid if reports are up to date and approved.

§ 4280.321 Grant and loan servicing.

In addition to the ongoing oversight of the participating MDOs:

(a) Grants. Grants will be serviced in accordance with all applicable regulations:

(1) Department of Agriculture regulations including, but not limited to 7 CFR part 1951, subparts E and O, parts 3015, 3016, 3017, 3018, 3019, and 3052; and

(2) Office of Management and Budget (OMB) regulations including, but not limited to, 2 CFR parts 215, 220, 230, and OMB Circulars A-110 and A-133.

(b) Loans. Loans to microlenders will be serviced in accordance with the following:

(1) Department of Agriculture regulations 7 CFR part 1951, subparts E, O, and R;

(2) Other Department of Agriculture regulations as may be applicable; and

(3) OMB Circular A-129.

§ 4280.322 Loans from the microlenders to microentrepreneurs.

The primary purpose of making a loan to a microlender is to enable that microlender to make microloans. It is the responsibility of each microborrower to repay the microlender in accordance with the terms and conditions agreed to with the microlender. It is the responsibility of each microlender to make microloans in such a fashion that the terms and conditions of the microloan will support microborrower success while enabling the microlender to repay the Federal Government. *A microlender may use Agency funds and revolved funds to make loans to microentrepreneurs without obtaining prior Agency concurrence of the microloan to each microborrower.*

(a) Maximum microloan amount. The maximum amount of a microloan made under this program will be \$50,000.

(b) Microloan terms and conditions. The terms and conditions for microloans made by microlenders will be negotiated between the prospective microborrower and the microlender, with the following limitations:

(1) No microloan may have a term of more than 10 years; *This includes workouts which must end within the ten year period starting from the day the loan to the microborrower is closed.*

(2) The interest rate charged to the microborrower will be established at, or before the closing of the microloan; and

(3) The microlender may establish its margin of earnings but may not adjust the margin so as to violate Fair Credit Lending laws. Margins must be reasonable so as to ensure that microloans are affordable to the microborrowers.

(c) Microloan insurance requirements. The requirement of reasonable hazard, key person, and other insurance will be at the discretion of the microlender.

(d) Credit elsewhere test. Microborrowers will be subject to a "credit elsewhere" test so that the microlender will make loans only to those borrowers that cannot obtain business funding of \$50,000 or less at affordable rates and on acceptable terms. Each microborrower file must contain evidence that the microborrower has sought credit elsewhere or that the rates and terms available within the community at the time were outside the range of the microborrower's affordability. Evidence may include a comparison of rates, loan limitations, terms, etc. for other funding sources to those forth offered by the microlender). *Denial letters are not required because most microborrowers are in a position of attempting to establish credit. In order to obtain a denial letter, a microenterprise or Microentrepreneur must apply for a loan. Once denied, a report is filed with the credit reporting bureaus, thus forcing a denial of credit to the report. This is a detriment to the microenterprise or Microentrepreneur and is the opposite of what this program attempts to accomplish, which is to ease access to credit for the very smallest of businesses. Denial letters from other lenders are not required.*

(e) Fair credit requirements. To ensure fairness, microlenders must publicize their rates and terms on a regular basis. Microlenders are also subject to Fair Credit lending laws as discussed in § 4280.305. *While rates are negotiable from one client to the next, they must be fair to all and must not violate credit, civil rights, or other laws regarding fair credit.*

(f) Eligible microloan purposes. Agency loan funds may be used to make microloans as defined in § 4280.302 for any legal business purpose not identified in § 4280.323 as an ineligible purpose. Microlenders may make microloans for qualified business activities and expenses including, but not limited to:

(1) Working capital; *Microlenders may not provide a loan to a microborrower under this program that will result in a revolving line of credit. See 4280.323.*

(2) The purchase of furniture, fixtures, supplies, inventory or equipment;

(3) Debt refinancing;

(4) Business acquisitions; and

(5) The purchase or lease of real estate that is already improved and will be used for the location of the subject business only, provided no demolition or construction will be accomplished with program funding. Neither interior decorating, nor the affixing of chattel to walls, floors, or ceilings are considered to be demolition or construction. *Microborrowers will not be required to complete the NEPA environmental review process for a project funded under this program. Because of this, no construction or demolition may be funded with RMAP funds. A prospective or returning microborrower in need of financing for a project that would normally require an environmental review should be directed to a different Rural Development program for assistance. In general, due to the size of microloans, the ineligibility of construction and/or demolition projects should eliminate the need for environmental clearances under this program.*

(g) Military personnel. Military personnel who are or seek to be a microentrepreneur and are on active duty with six months or less remaining in their active duty status may receive a microloan and/or technical assistance and training if they are otherwise qualified to participate in the program. *Military personnel that are readying for detachment from active duty may be seeking self-employment as an after service option. The six-month period provides them with the ability to obtain training and technical assistance in advance so that they are prepared to step into business ownership. Generally, they will want to borrow from an entity that is close to where the microbusiness will be located.*

§ 4280.323 Ineligible microloan purposes and uses.

Agency loan funds will not be used for the payment of microlender administrative costs or expenses and microlenders may not make microloans under this program for any of purposes and uses identified as ineligible in paragraphs (a) through (p) of this section. *Microlenders receive grant funding for the provision of technical assistance and training to microborrowers and prospective microborrowers. Microlenders may use up to 10 percent of the grant funding for program administrative costs. Thus, loan funding may not be used for administrative costs.*

(a) Construction costs. *Construction costs are not allowed. Interior decoration is not considered a construction cost. Microenders must use caution when considering whether an upgrade to a microbusiness location would be so significant as to be a construction project. As a rule of thumb, repairs to chattle, interior decoration, and so forth will normally be acceptable. Addition of rooms or porches, elimination of walls, upgrading insulation, and so forth would not be acceptable.*

(b) Any amount in excess of that needed by a microborrower to accomplish the immediate business goal.

(c) Assistance that will cause a conflict of interest or the appearance of a conflict of interest including but not limited to:

(1) Financial assistance to principals, directors, officers, or employees of the microlender, or their close relatives as defined; and

- (2) Financial assistance to any entity the result of which would appear to benefit the microlender or its principals, directors, or employees, or their close relatives, as defined, in any way other than the normal repayment of debt.
- (d) Distribution or payment to a microborrower when such will use any portion of the microloan for other than the purpose for which it was intended.
- (e) Distribution or payment to a charitable institution not gaining revenue from sales or fees to support the operation and repay the microloan. *However, if a charitable institution has a subsidiary or affiliate such as a day care center, coffee house, or other income earning business, a microloan could be made to the business, as if it were any other small business. Such subsidiaries or affiliates must be governed under a separate tax ID.*
- (f) Microloans to a fraternal organization.
- (g) Any microloan to an applicant that has an RMAP funded microloan application pending with another microlender or that has an RMAP-funded microloan outstanding with another microlender that would cause the applicant to owe a combined amount of more than \$50,000 to one or more microlenders under this program. *Microlenders should check for credit report references to other inquiries to ensure that the prospective microborrower has not applied for, or entered into a loan agreement for, other program funding from one or more other RMAP microlenders.*
- (h) Assistance to USDA Rural Development (Agency) employees, or their close relatives, as defined.
- (i) Any illegal activity.
- (j) Any project that is in violation of either a Federal, State, or local environmental protection law, regulation, or enforceable land use restriction unless the microloan will result in curing or removing the violation. *Environmental requirements should always be checked for any project that might be construed to be a construction project as noted above in paragraph (a) of this section.*
- (k) Microloans to lending and investment institutions and insurance companies.

- (l) Golf courses, race tracks, or gambling facilities.
- (m) Any lobbying activities as described in 7 CFR part 3018.
- (n) Lines of credit.
- (o) Subordinated liens.
- (p) Use of an Agency funded loan to pay debt service on a previous Agency loan.

§ 4280.324 Administrative responsibility.

- (a) Except as provided in this section and an annual Federal Register Notice for Solicitation of Applications (NOSA) or a Notice of Funding Availability (NOFA), the processing and servicing office for an RMAP application or loan is the State Office for the State where the intermediary's/MDO's headquarters is located.*
- (b) State Directors may delegate in writing processing and servicing responsibility, provided that the State Director determines the staff has had adequate training on the RMAP.*
- (c) The processing and servicing office for microlenders headquartered in the District of Columbia is the National Office.*

§§ 4280.325 - 4280.399 [Reserved]

§ 4280.400 OMB control number.

The information collection requirements contained in this regulation have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0570-XXXX. A person is not required to respond to this collection of information unless it displays a currently valid OMB control number.

oOo

**Rural Microentrepreneur Assistance Program
Scoresheet**

Applicant/MDO Name: _____
State: _____

List the maximum points the applicant is qualified for in each category in accordance with § 4280.316. Applications will be scored based on well-documented justifications using only the information submitted in the application. The total points available per application are 100.

(a) Application requirements for all applicants. All applicants must submit the eligibility information described in § 4280.315. The maximum points available in this part of the application are 45. In addition to the eligibility information, all applicants will submit:

(1) An organizational chart clearly showing the positions and naming the individuals in those positions. Of particular interest to the Agency are management positions and those positions essential to the operation of microlending and TA programming.

Up to 5 points _____

(2) Resumes for each of the individuals shown on the organizational chart and indicated as key to the operation of the activities to be funded under this program. There should be a corresponding resume for each of the key individuals noted and named on the organizational chart. Points will be awarded based on the quality of the resumes and on the ability (based on the resumes) of the key personnel to administer the program.

Up to 5 points _____

(3) A succession plan to be followed in the event of the departure of personnel key to the operation of the applicant's RMAP activities.

Up to 5 points _____

(4) Information indicating an understanding of microenterprise development concepts. Provide those parts of your policy and procedures manual that deal with the provision of loans, management of loan funds, and provision of technical assistance.

Up to 5 points _____

(5) Copies of the applicant's most recent, and two years previous, financial statements. Points will be awarded based on the demonstrated ability of the applicant to maintain or grow its bottom line fund balance, its ability to manage one or more federal programs, and its capacity to manage multiple funding sources, restricted and non-restricted funding sources, income, earnings, and expenditures.

Up to 10 points _____

(6) A copy of the applicant's organizational mission statement. The mission statement will be rated based on its relative connectivity to microenterprise development and general economic development. The mission statement may or may not be a part of a larger statement. For example, if the mission statement is included in the by-laws or other organizational documents, please so note, direct the reviewer to the proper document, and do not submit these documents twice.

Up to 5 points _____

(7) Information regarding the geographic service area to be served. Describe the service area, which must be rural as defined. State the number of counties or other jurisdictions to be served. Describe the demographics of the service area and whether or not the population is a diverse population. Note that the applicant will not be scored on the size of the service area, but on its ability to fully cover the service area as described.

Up to 10 points _____

Total points (max. 45) _____

(b) Program loan application requirements for MDOs seeking to participate as RMAP microlenders with more than 3 years of experience. In addition to the information required under paragraph (a) of this exhibit, applicants with more than 3 years of experience as a microlender also must provide the information specified in paragraphs (b)(1) through (5) of this exhibit. The total number of points available under this paragraph, in addition to the up to 45 points available in paragraph (a) of this exhibit, is 55, for a total of 100.

(1) History of provision of microloans. The applicant must provide data regarding its history of making microloans for the three years previous to this application by answering the questions in paragraphs (b)(1)(i) through (v) of this exhibit. This information should be provided clearly and concisely in numerical format as the data will be used to calculate points as noted. Figure 1 presents an example of the format and data required. The maximum number of points under this criterion is 20.

Data Item	Federal FY			
	Last Fiscal Year	Year before last Fiscal year	2 nd year before last Fiscal Year	Total
Total # of Microloans Made				
Total \$ Amount Of Microloans Made				
# of Microloans Made In Rural Areas				
Total \$ Amount Of Microloans Made In Rural Areas				
# of Microloans Made To racial and ethnic minorities				
# Of Microloans Made To women				
# Of Microloans Made To the Disabled				

Figure 1. Example of Format and Data Requirements

(i) Number and amount of microloans made during each of the three previous Federal FYs. Do not include current year information. A narrative may be included as a separate attachment, not in the body of the suggested table.

(ii) Number and amount of microloans made in rural areas in each of the three years prior to the year in which the application is submitted. If the history of providing microloans in rural areas shows:

(A) More than the three consecutive years immediately prior to this application,

5 points

(B) At least two of the years but not more than the three consecutive years immediately prior to this application,

3 points

(C) At least 6 months, but not more than one year immediately prior to this application,

1 point

(iii) Percentage of number of loans made in rural areas. Calculate and enter the total number of microloans made in rural areas as a percentage of the total number of all microloans made for each of the past three Federal FYs. If the percentage of the total number of microloans made in rural areas is:

(A) 75 percent or more,

5 points

(B) At least 50 percent but less than 75 percent,

3 points

(C) At least 25 but less than 50 percent,

1 point

(iv) The percentage of dollar amount of loans made in rural areas. Enter the dollar amount of microloans made in rural areas as a percentage of the dollar amount of the total portfolio (rural and non-rural) of microloans made for each of the previous three Federal FYs. If percentage of the dollar amount of the microloans made in rural areas is:

(A) 75 percent or more of the total amount,

5 points

(B) At least 50 percent but less than 75 percent,

3 points

(C) At least 25 percent but less than 50 percent,

1 point

(v) Each applicant shall compare the diversity of its entire microloan portfolio to the demographic makeup of its service area (as determined by the latest applicable decennial census for the State) based on the number of microloans made during the three years preceding the subject application. Demographic groups shall include gender, racial and ethnic minority status, and disability (as defined in The Americans with Disabilities Act). Points will be awarded on the basis of how close the MDO's microloan portfolio matches the demographic makeup of its service area. A maximum of 5 points will be awarded.

(A) If at least one loan has been made to each demographic group and if the percentage of loans made to each demographic group is each within 5 or less percent of the demographic makeup, **5 points**

(B) If at least one loan has been made to each demographic group and if the percentage of loans made to each demographic group is each within 10 or less percent of the demographic makeup, **3 points**

(C) If at least one loan has been made to each demographic group and if the percentage of loans made to one or more of the demographic groups is greater than 10 percent of the demographic makeup or if no loans have been made to one of the demographic groups and if the percentage of loans made to each of the other demographic groups is each within 10 or less percent of the demographic makeup, **1 point**

(D) If no loans have been made to two or more demographic groups, **0 points**

(2) Portfolio management. Each applicant's ability to manage its portfolio will be determined based on the data provided in response to paragraphs (b)(2)(i) and (ii) of this exhibit and scored accordingly. The maximum number of points under this criterion is 10.

(i) Enter the total number of your microloans paying on time for the three previous Federal FYs. If the total number of microloans paying on time at the end of each year over the prior three Federal FYs is:

(A) 95 percent or more, **5 points**

(B) At least 85 percent but less than 95 percent, **3 points**

(C) Less than 85 percent, **0 points**

(ii) Enter the total number of microloans 30 to 90 days in arrears or that have been written off at year end for the three previous Federal FYs. If the total number of these microloans is:

(A) 5 percent or less of the total portfolio, **5 points**

(B) More than 5 percent, **0 points**

(3) History of provision of technical assistance. Each applicant's history of provision of technical assistance to microentrepreneurs and microenterprises, and their ability to reach diverse communities, will be scored based on the data specified in paragraphs (b)(3)(i) through (iv) of this exhibit. Applicants may use a chart such as that suggested in Figure 1 as they deem appropriate. The maximum number of points under this criterion is 15.

(i) Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both microloans and TA services for each of the previous three Federal FYs.

(ii) Provide the percentage of the total number of only rural microentrepreneurs and rural microenterprises that received both microloans and TA services for each of the previous three Federal FYs (calculate this as the total number of rural microloans made each year divided by the total number of loans made during the past three Federal FYs). If provision of both microloans and technical assistance to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of:

(A) 75 percent or more, **5 points**

(B) At least 50 percent but less than 75 percent, **3 points**

(C) At least 25 percent but less than 50 percent, **1 point**

(iii) Provide the percentage of the total number of rural microentrepreneurs and rural microenterprises by racial and ethnic minority, disabled, and/or gender that received both microloans and TA services for each of the previous three Federal FYs. If the demonstrated provision of microloans and technical assistance to these rural microentrepreneurs and rural microenterprises is at a rate of:

- (A) 75 percent or more, **5 points**
- (B) At least 50 percent but less than 75 percent, **3 points**
- (C) At least 25 percent but less than 50 percent, **1 point**

(iv) Provide the ratio of TA clients that also received microloans during each of the previous three Federal FYs. If the ratio of clients receiving technical assistance to clients receiving microloans is:

- (A) Between 1:1 and 1:5, **5 points**
- (B) Between 1:6 and 1:8, **3 points**
- (C) Either 1:9 or 1:10, **1 point**

(4) Ability to provide technical assistance. In addition to providing a statistical history of their provision of technical assistance to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training methods used by the applicant organization to provide such technical assistance and discussing the outcomes of their endeavors. Technical assistance is defined in § 4280.302. The narrative will be scored as specified in paragraphs (b)(4)(i) through (iv) of this exhibit. The maximum number of points under this criterion is 5.

(i) Applicants that have used more than one method of training and technical assistance (e.g., classroom training, peer-to-peer discussion groups, individual assistance, distance learning) **2 points**

(ii) Applicants that provide success stories to demonstrate the effects of technical assistance on their clients **1 point**

(iii) Applicants that provide evidence that they require evaluations by the clients of their training programs and indicate that the average level of evaluation scores is "good" or higher **1 point**

(iv) Applicants that present their narrative information clearly and concisely (five pages or less) and at a level expected by trainers and teachers **1 point**

(5) Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:

- (i) Less than 5 percent of the TA grant funding, **5 points**
- (ii) Between 5 percent and 8 percent, but not including 8 percent, **3 points**
- (iii) Between 8 percent up to and including 10 percent, **0 points**

Total points (max. 55) _____

(c) Application requirements for MDOs seeking to participate as RMAP microlenders with 3 years or less experience. In addition to the information required under paragraph (a) of this exhibit, an applicant MDO with 3 years or less experience that is applying to be a microlender must submit the information specified in paragraphs (c)(1) through (8) of this exhibit. The total number of points available under this paragraph, in addition to the up to 45 points available in paragraph (a) of this exhibit, is 55, for a total of 100.

(1) The applicant must provide a narrative work plan that clearly indicates its intention for the use of loan and grant funding. Provide goals and milestones for planned microlending and technical assistance activities. In relation to the information requested in paragraph (a) of this section, the applicant must describe how it will incorporate its mission statement, utilize its employees, and maximize its human and capital assets to meet the goals of this program. The applicant must provide its strategic plan and organizational development goals and clearly indicate its lending goals for the five years after the date of application. The narrative work plan should be not more than five pages in length.

Up to 10 points _____

(2) The applicant will provide the date that it began business as an MDO or other provider of business education and/or facilitator of capital. This date will reflect when the applicant became licensed to do business, in good standing with the Secretary of State in which it is registered to do business, and regularly paid staff to conduct business on a daily basis. If the applicant has been in business for:

(i) More than 2 years but less than 3 years, **5 points**

(ii) At least 1 year, but not more than 2 years, **3 points**

(iv) At least 6 months, but not more than 1 year, **1 point**

(iv) Less than 6 months, or more than 3 full years. (If more than 3 full years, the applicant must apply under the provisions for MDOs with more than 3 years experience as specified in § 4280.316(b).) **0 points**

(3) The applicant must describe in detail any microenterprise development training received by it as a whole, or its employees as individuals, to date. The narrative may refer reviewers to already submitted resumes to save space. The training received will be rated on its topical variety, the quality of the description, and its relevance to the organization's strategic plan. The applicant should not submit training brochures or conference announcements.

Up to 10 points _____

(4) The applicant must indicate its current number of employees, those that concentrate on rural microentrepreneurial development, and the current average caseload for each. Indicate how the caseload ratio does or does not optimize the applicant's ability to perform the services described in the work plan. Discuss how Agency grant funding will be used to assist with TA program delivery and how loan funding will affect the portfolio.

Up to 5 points _____

(5) The applicant must indicate any training organizations with which it has a working relationship. Provide contact information for references regarding the applicant's capacity to perform the work plan provided. If the recommendations received from references are:

- | | |
|----------------------------------|-----------------|
| (i) Generally excellent, | 5 points |
| (ii) Generally above average, | 3 points |
| (iii) Generally average, | 1 point |
| (v) Generally less than average, | 0 points |

(6) Describe any plans for continuing training relationship(s), including ongoing or future training plans and goals, and the timeline for same.

Up to 5 points _____

(7) The applicant will describe its internal benchmarking system for determining client success, reporting on client success, and following client success for up to 5 years after completion of a training relationship.

Up to 10 points _____

(8) The applicant will identify its proposed administrative expenses to be spent from TA grant funds. The maximum total number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:

- | | |
|--|-----------------|
| (i) Less than 5 percent of the TA grant funding, | 5 points |
| (ii) Between 5 percent and 8 percent, but not including 8 percent, | 3 points |
| (iii) Between 8 percent up to and including 10 percent, | 0 points |

Total points (max. 55) _____

(d) Application requirements for MDOs seeking technical assistance-only grants. TA-only grants may be provided to MDOs that are not RMAP microlenders seeking to provide training and technical assistance to rural microentrepreneurs and rural microenterprises. An applicant seeking a TA-only grant must submit the information specified in paragraphs (d)(1) through (4) of this exhibit. The total number of points available under this section, in addition to the 45 points available in paragraph (a) of this exhibit, is 55, for a total of 100 points.

(1) History of provision of technical assistance. Each applicant's history of provision of technical assistance to microentrepreneurs and microenterprises, and their ability to reach diverse communities, will be scored based on the data specified in paragraphs (d)(1)(i) through (iv) of this exhibit. Applicants may use a chart such as that suggested in Figure 1 as they deem appropriate. The maximum number of points under this criterion is 20.

(i) Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both microloans and TA services for each of the previous three Federal FYs.

(ii) Provide the percentage of the total number of rural microentrepreneurs and rural microenterprises that received both microloans and TA services for each of the previous three Federal FYs (calculate this as the total number of rural microloans made each year divided by the total number of rural and non-rural microloans made during the past three Federal FYs). If provision of both technical assistance and resultant microloans to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of:

- | | |
|---|-----------------|
| (A) 75 percent or more, | 5 points |
| (B) At least 50 percent but less than 75 percent, | 3 points |
| (C) At least 25 percent but less than 50 percent, | 1 point |

(iii) Provide the percentage of the total number of rural microentrepreneurs by racial and ethnic minority, disabled, and/or gender that received both microloans and TA services for each of the previous three Federal FYs. If the demonstrated provision of technical assistance and resultant microloans to these rural microentrepreneurs when compared to the total number of microentrepreneurs assisted, is at a rate of:

- | | |
|---|------------------|
| (A) 75 percent or more, | 10 points |
| (B) At least 50 percent but less than 75 percent, | 7 points |
| (C) At least 25 percent but less than 50 percent, | 5 point |

(iv) Provide the ratio of TA clients that also received microloans during each of the last three years. If the ratio of clients receiving technical assistance to clients receiving microloans is:

- | | |
|--------------------------|-----------------|
| (A) Between 1:1 and 1:5, | 5 points |
| (B) Between 1:6 and 1:8, | 3 points |
| (C) Either 1:9 or 1:10, | 1 point |

(2) Ability to provide technical assistance. In addition to providing a statistical history of their provision of technical assistance to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training method(s) used by the applicant organization to provide technical assistance and discussing the outcomes of their endeavors. The narrative will be scored as specified in paragraphs (d)(2)(i) through (iv) of this exhibit. The maximum number of points under this criterion is 20.

(i) Applicants that have used more than one method of training and technical assistance (e.g., classroom training, peer-to-peer discussion groups, individual assistance, distance learning) **5 points**

(ii) Applicants that provide success stories to demonstrate the effects of technical assistance on their clients will be awarded points under either of the following paragraphs, but not both.

(A) News stories that highlight businesses made successful as a result of technical assistance, **5 points**

(B) Internal stories that highlight businesses made successful as a result of technical assistance, **3 points**

(iii) Applicants that provide evidence that they require evaluations by the clients of their training programs and indicate that the evaluation scores are generally:

- | | |
|----------------|-----------------|
| (A) Excellent, | 5 points |
| (B) Good, | 3 points |

(C) Less than good, **0 points**

(iv) Applicants that present well-written narrative information that is clearly and concisely written and is five pages or less **5 points**

(3) Technical assistance plan. Submit a plan for the provision of technical assistance explaining how the funding will benefit the current program and how it will allow the applicant to expand its non-program microlending activities.

Up to 10 points _____

(4) Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:

(i) Less than 5 percent of the TA grant funding, **5 points**

(ii) Between 5 percent and 8 percent, but not including 8 percent, **3 points**

(iii) Between 8 percent up to and including 10 percent, **1 point**

Total points (max. 55) _____

Grand Total (max. 100) _____

(e) Re-application requirements for participating microlenders with more than 5 years experience as a microlender under this program.

(1) Microlender applicants with more than 5 years of experience as an MDO under this program may choose to submit a shortened loan/grant application that includes the following:

(i) A letter of request for funding stating the amount of loan and/or grant funds being requested;

(ii) An indication of the loan and/or grant amounts being requested accompanied by a completed SF 424 and any pertinent attachments;

(iii) An indication of the number and percent of program microentrepreneurs and microenterprises remaining in business for two years or more after microloan disbursement; and

(iv) A recent resolution of the applicant's Board of Directors approving the application for debt.

(2) The Agency, using this request, and data available in the reports submitted under previous fundings, will review the overall program performance of the applicant over the life of its participation in the program to determine its continued qualification for subsequent funding. Requirements include:

(i) A default rate of 5 percent or less;

(ii) A pattern of delinquencies during the period of participation in the this program of 10 percent or less;

(iii) A pattern of use of TA dollars that indicates at least one in ten TA clients receive a microloan;

(iv) A statement discussing the need for more funding, accompanied by account documentation showing the amounts in each of the RMRF and LLRF accounts established to date; and

(v) A pattern of compliance with program reporting requirements.

(3) Shortened applications will be rated on a pass or fail basis. Passing applications will be assigned a score of 90 points and will be ranked accordingly in the quarterly competitions. Failing applications will be scored 0.

Pass - 90 points

Fail - 0 points

Checklist
Rural Microentrepreneur Assistance Program Loan to MDO

MDO: _____

Loan/Grant Processing

Number	Document/Action	Form/Reference/Comments
1	Application	SF 424,424A,424B
2	Disclosure of Lobbying Activities	SF LLL
3	Certification Regarding Debarment	AD 1047
4	Certification of No Federal Debt	Form RD 1910-11
5	Compliance Review	Form RD 400-8
6	Applicant eligibility	§ 4280.310
7	Credit Elsewhere	Self-Certification
8	Assurance Agreement	Form RD 400-4
9	Grant Agreement	Form RD 4280-3
10	Organizational Chart	§ 4280.316(a)(1)
11	Resumes of Key Personnel	§ 4280.316(a)(2)
12	Succession Plan	§ 4280.316(a)(3)
13	MDO Policy and Procedures	§ 4280.316(a)(4)
14	Financial Statements	§ 4280.316(a)(5)
15	Organizational Mission Statement	§ 4280.316(a)(6)
16	Geographic Service Area	§ 4280.316(a)(7)
17	History of Making Microloans	§ 4280.316(b)(1)
18	History of Provision of Technical Assistance	§ 4280.316(b)(3)
19	Proposed Administrative Expenses	§ 4280.316(b)(5)
20	Narrative Workplan	§ 4280.316(c)(1)
21	Technical Assistance Plan	§ 4280.316(d)(3)
22	Letter of Conditions	§ 4280.312(b)
23	Letter of Intent to Meet Conditions	Form RD 1942-46

24	Request for Obligation of Funds	Form RD 1940-1
25	Scoresheet	Exhibit A
26	LAPAS Report	§ 4280.312(a)

Loan/Grant Closing

Number	Document/Action	Form/Reference/Comments
1	Promissory Note	Form RD 4274-3
2	Loan Agreement	Form RD 4274-4
3	Security Agreement	§ 4280.312(c)(1)(v)
4	Closing Certifications	§ 4280.312(c)(2)
5	Deposit Agreement	Form RD 402-1

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